

Corporate Governance Report

Building a balanced structure of the Board of Directors

• Brief on the Board Composition

Name	Member classification (executive/non-executive/independent)	Academic qualification and practical experience	Election date/ appointment of secretary
Mr Bader Fahed Al Rezaihan	Chairman (non-executive)	Academic Qualifications: Master of Business Administration, University of Woodbury, USA. Experience: <ul style="list-style-type: none"> - Chairman of Amwal International Investment Company from 14.11.2005 to date. - Chairman of Noor Capital Markets Financial Brokerage from 19.02.2014 to date. - Served as Chairman and CEO of the CIC Group from 05.11.1995 until 10.2005. - Chairman of Mawarid general trading and contracting company from 30.08.2005 to date - Vice Chairman of National Takaful Insurance Company from 9.05.2016 to date. 	20/11/2015
Mr. Mansour Salem Al Nassar	Deputy chairman (non-executive)	Academic Qualifications: Bachelor of Arts in Geography, Kuwait University. Experience: <ul style="list-style-type: none"> - Vice Chairman of Amwal International Investment Company from 10.3.2015 to date. He also served as a Board member at Amwal from 14.11.2005 to 9.3.2015. - Served as a Board member at Industrial and Financial Investments Company from 18.06.2001 till 2004. 	29/11/2015
Mr. Bader Abdulaziz Abul	Board member (Independent member)	Academic qualification: Masters Degree in Business Management and Strategy, from Kuwait Maastricht Business School - Kuwait. Experience: <ul style="list-style-type: none"> - Board member at Amwal International Investment Company from 14.11.2005 to date. - Served as General Manager of Abdul Aziz Ali Abul General Trading and Contracting Company from 02.08.1999 to date 	
Mr. Thunyan Adel Al Mawad	Board member (Independent member)	Academic qualification: Bachelor of Science in Business Administration, Information Systems Major, University of Ohio State, USA Experience: <ul style="list-style-type: none"> - Board member at Amwal International Investment Company from 15.1.2015 up to date. - Serves as Assistant Vice Chairman – Financial services and facilities at Gulf Investment Corporation, from 1.6.2005 up to date 	29/11/2015

Mr. Abdulmohsen Saleh Al Tukhaim	Board member (non-executive)	Academic qualification: Diploma of Applied Commercial Sciences, Banking Specialisation, Public Authority for Applied Education & Training – State of Kuwait Experience: <ul style="list-style-type: none"> - Board member at Amwal International Investment Company from 2008 to 2009, and from 29.11.2015 to date. - Served as banking sales and services manager, Bank of Kuwait and the Middle East "Al Ahli United Bank currently" from 3.3.2002 to 2.12.2008 	29.11.2015
Mr. Mohamed Abdulaziz Al Aqeel	Board member (non-executive)	Academic qualification: Bachelor of Science, Systems Engineering Major, King Fahed Petroleum and Minerals University, Kingdom of Saudi Arabia Experience: <ul style="list-style-type: none"> - Board member of Amwal International Investment Company from 5.7.2012 to date - Served as chief executive officer for operations, Al Fawzan Holding Company, from 8.5.2004 to date 	29.11.2015
Mr. Ziyad Fouad Al Saleh	Board member (non-executive)	Academic qualification: Masters in business administration, International University of Geneva, Switzerland. Experience : <ul style="list-style-type: none"> - Board member at Amwal International Investment Company from 20.6.2010 up to date - Served as a Board member at Abdulqader Al Mohaidab & Sons Company, from 4.7.2009 to date. - Senior Manager - Public and Private Investments, Abdulqader Al Muhaidab & Sons Company, from 23.10.2004 to date. 	29.11.2015
Mrs. Suha Maaen Al Atassi	Board secretary	Academic qualification: Secretariat Diploma, Pitman Secretarial & Commercial Studies Institute, State of Kuwait. Experience: <ul style="list-style-type: none"> - Board secretary from 1.7.2012 up to date - Chairman's office manager, Amwal International Investment Company, from 26.11.2006 to date. - Served as executive secretary, Safat Food and Catering Company, 10.1.1993 to November 2006. - Served as executive secretary, Kuwait Scientific Research Institute, 1987 to 1993. 	29.11.2015

• **Brief on the Board of Directors' meetings, through the following statement:**

Name	Capacity	Board meetings									Total number of meetings
		Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5	Meeting 6	Meeting 7	Meeting 8	Meeting 9	
		22/3/2016	30/3/2016	4/5/2016	17/5/2016	7/6/2016	29/6/2016	11/8/2016	14/11/2016	28/12/2016	
Mr. Bader Al Rezaihan	Non-exeutive - Chairman	a	a	a	a	a	a	a	a	a	9
Mr. Mansour Al Nassar	Non-exeutive - Vice Chairman	a	a	a	X	a	a	a	a	X	7
Mr. Ziad Al Saleh	Non-exeutive	X	X	X	X	a	X	X	X	X	1
Mr. Bader Abul	Independent	a	a	a	a	a	a	a	a	a	9
Mr. Mohammed Al Aqeel	Non-exeutive	a	X	X	a	X	a	X	X	a	4
Mr. Abdul Mohsen Al Tukhaim	Non-exeutive	a	a	a	a	a	a	a	a	a	9
Mr. Thunayyan Al Musaaed	Non-exeutive	a	X	a	a	a	X	X	X	a	5

• **Board meeting held during the year: 9 meetings.**

All Board meetings are documented by the board secretary, whereby all discussions and topics are recorded according to the agenda previously communicated to the Board. Further, all board member views and objections (if any) are recorded in the minutes of meeting. Draft minutes are prepared upon meeting completion by the board secretary, forwarded to all the board members by email for revision and approval. After obtaining approval (including amendments – if any) the minutes are printed on Company letterhead and forwarded to all the board members for signature. The board secretary keeps all board meeting minutes in the custody cabinet. These documents are only accessed with the approval and consent of the Board secretary.

The Board of Directors are invited to meet at the request of the Chairman through the Board Secretary. The meeting agenda in addition to any relevant documents are forwarded to the board members before the meeting enabling the members to review the topics raised and the relevant documents.

Identification of duties and responsibilities

The Company's Articles of Association stipulates the powers and authorities of the Board of Directors (the Board has the widest authorities to manage the Company, except as determined by the law, Articles of association or general assembly). The powers and responsibilities are delegated to the Board according to the following:

- Company Articles of Association
- 15th Book of the Capital Markets Authority Bylaws (Corporate Governance)
- Law No.1 of 2016 (Companies Law)

Further, the Board of Directors and its committees' charters have been drafted pursuant to the above instructions and laws, which illustrate the charters and authorities of the Board of Directors members and its committees.

As for the authorities of Executive Management, the Board of Directors appointed a Chief Executive Officer (registered with the Capital Markets Authority) who undertakes the day to day management of the Company.

Authorities delegated to Executive Management commensurate the Company's business and operational activities in order to achieve the objectives and strategies of the Company and direct the business. In addition to evaluating the extent of significance of such authorities for the daily management of business.

In addition to the above, the Board of Directors approved an authority matrix (that includes both financial and administrative authorities). The matrix illustrates the authorities of the Board of Directors and Executive Management. These authorities are reviewed (annually) according to business and operating requirements.

Board achievements during the year

- The Board of Directors has increased the Company's profit from 112,816 to 309,246 which reflected on the share dividend from 0.62 fils in 2015 to 1.71 fils in 2016, contributing to the increase in profitability, is a reduction policy in general & admin expenses.
- The development of the Company's internal control systems which positively reflected on the Company's operations and activities, whereby all transactions were executed according to the approved authorities within the Company.
- Development and approval of policies and procedures for the Company's various departments, which reflected positively on the organization's processes and implementing corporate framework to achieve the following objectives:
 - o Compliance with all regulatory and legal requirements.
 - o Enhancing the tools and means of control and supervision by the Board and its committees on the Company's operations and activities.
 - o Developing skills and experiences of the Board of Directors and Executive Management to undertake the tasks with high efficiency and effectiveness.

Rule Book 15 of the Capital Markets Authority bylaws mandate the formation of Board committees. Accordingly, the Board formed three committees that possess independence and objectivity assisting the Board in its oversight role over the Company's business and activities as follows:

Committee Formation and Tenure.

The Audit Committee was formed on 29th November 2015. The Committee's tenure is three years.

Committee Members:

Mr. Bader Abul- Independent Member – Committee chairman

Mr. Thunyan Al Mawad – Independent Member – Committee member

Mr. Abdulmohsen Al Tukhaim – Non Executive Member – Committee member

Committee duties and achievements during 2016:

- Review the Company's interim and annual financial statements and discuss them with the external auditor.
- Recommending approval of the financial statements to the Board of Directors.
- Discuss the reports issued by the internal auditor.
- Review of the Company's Internal Control Assessment report along with and following up on the corrective measures implemented by the Executive Management.

Number of the Committee meetings during 2016:

The Committee met six times during the year.

Committee Formation and Tenure.

The Committee was formed on 29th November 2015. The Committee's tenure is three years.

Committee members:

Mr. Thunyan Al Mawad – Independent Member – Committee member

Mr. Mansour Al Nassar – Non Executive Member- Committee member

Mr. Abdulmohsen Al Tukhaim – Non Executive Member – Committee member

Committee duties and achievements in 2016:

- Review of the implemented policies and procedures within the Company and ensuring its fulfilment of regulatory requirements
- Assist the Board of Directors to implement and develop the corporate governance framework through the review of all Board of Directors and its committees' charters
- Supervise the duties and activities of the compliance department, in addition to reviewing reports submitted by Compliance along with following up on the implementation of the corrective actions for the observations raised.

Number of the Committee meetings during 2016:

The Committee met four times during the year.

Committee Formation and Tenure.

The Committee was formed on 29th November 2015. The Committee's tenure is three years

Committee Members:

Mr. Bader Al Rezaihan – Non Executive Member – Committee chairman

Mr. Mansour Al Nassar- Non Executive Member – Committee member

Mr. Thunyan Al Mawad – Independent Member – Committee member

Mr. Abdulmohsen Al Tukhaim – Non Executive Member – Committee member

The Committee's most significant achievements and duties include the following;

- Review of staff remuneration policies and recommendation to the Board of Directors for approval
- Draft the Board remunerations policy for Board recommendation and General Assembly approval.
- Review credentials of executive posts of candidates and of the Chief Executive Officer before submitting the nomination applications to the Capital Markets Authority.

Number of the Committee Meetings in 2016

The Committee met once during the year.

The Board of Directors (and its committees) have the authority to access any document, information and data of the Company without restriction. The Board possesses the highest authority within the Company after the shareholders, according to the Articles of Association, the board of directors and its committee's charters, in addition to the instructions of the Capital Markets Authority and the Companies Law.

Selection of competent persons for the Board and Executive Management Membership

The Company formed the Nominations and Remunerations Committee in 2015. The Committee is formed of four Board members including an independent Board member. Duties and responsibilities are outlined in accordance with the requirements of the Capital Markets Authority. Among the most significant terms of reference of the Committee are the following:

- Documenting a clear policy for Board members, senior executives and Company personnel's remunerations and reviewing it annually.
- Ensuring remunerations are awarded as per documented policies.
- Prepare an annual report on the remunerations awarded to Board members and Executive Management. This report is presented for approval by the Company's General Assembly.
- Determination of the remunerations awarded to the Board of Directors and Executive Management members.
 - ❖ Remunerations awarded to the Board of Directors in 2016:
 - ❖ Proposed remuneration amounting to KD 42,000.
 - ❖ Remunerations awarded to Executive Management in 2016:
 - ❖ The Company awarded remunerations to Executive Management amounting to KD 8,500

Ensuring Financial Reports Integrity

The Audit Committee consists two independent members according to the instructions of the Capital Markets Authority issued in this respect (at least one independent member)

The Audit Committee met six times during 2016, which includes meetings with the external auditor and internal auditor during the year to discuss the reports issued by them. In the case of any conflicting recommendations between and the Audit Committee and Board such cases are documented as per the Board charter.

During the six meetings held by the Committee and the board meetings, there were no conflicts between the Committee recommendations and the board decisions. Further, the Board of Directors charter stipulates the documentation of any conflicts (if any) between the Audit Committee decisions and Board decisions.

External auditor independence and objectivity

The external auditor enjoys complete independence and objectivity, whereby the Company's external auditor is appointed by the General Assembly pursuant to the recommendation of the board of directors. Further, the external auditor is entitled access to the Audit Committee and/or Board of Directors without the Executive Management's intervention.

Risk management and internal control systems

A risk officer has been appointed in the Company (registered with the Capital Markets Authority.) The risk management officer enjoys independence whereby the officer reports directly to the Board of Directors.

The Risk Committee includes an independent member according to the instructions of the Capital Markets Authority.

The Risk Management Committee has met four times in 2016. Further, a Risk Management charter has been documented and approved. The charter outlines and includes the responsibilities of meeting with the external and internal auditor during the year to discuss the reports issued by them.

The Risk Management Committee prepared and implemented several fundamental elements ensuring the presence of an effective internal control system as follows:

- Implement the 4 eyed principle whereby any document is prepared by an employee and reviewed by another employee.
- Implement the segregation of duties ensuring that no function conflicts in performing its tasks.
- Review of the efficiency and sufficiency of the internal control systems on periodical basis (at least annually) by the internal audit and independent auditor mandated with the internal control review systems applied in the Company, taking into consideration the underlined risks in implementing the Company activities and operations.

An internal audit officer was appointed in the Company (registered with the Capital Markets Authority). Further, the Company appointed an international consultancy firm to perform the assessment of the internal controls system and submit reports to both Board, the Audit and Risks Management Committee.

Further, the internal audit officer enjoys independence as the officer reports to the Board Audit Committee.

Promoting professional conduct and ethical values

The Company prepared and documented a charter that is followed by code of conduct and ethical values principles charter, applied by members of the Board of Directors, Executive Management and Company staff. Among the most significant matters which the Company was keen to regulate are the following;

- General conduct.
- Customers relation
- Avoiding the conflict of interests
- Use of confidential and official information

Amwal International Investment Company is committed to manage its business fairly and appropriately ensuring the fulfilment of the long term interests of its shareholders. As part of this commitment, the conflict of interests manual stipulates the required policies and procedures for fair and appropriate practices and conducts of the businesses which the Company expects from its Board of Directors and staff equally. Further, this policy is mandated on all the Company personnel, vendors, officials and Board of Directors.

Timely and accurate disclosures and transparency

According to the instructions of the Capital Markets Authority, the Company drafted and developed a disclosure system ensuring compliance with all regulatory and legal requirements. The Company defined and determined the information subject to disclosure pursuant to the regulatory instructions issued in this respect.

The Company discloses its financial results and any material information to the public and shareholders through the Boursa Kuwait's electronic portal.

The compliance department monitors all Company resolutions and submits recommendations to the Board of Directors, should such decisions and information fulfil the regulatory requirements for disclosure.

The Company keeps a special register for all disclosures made during the year.

For the disclosures of the Board of Directors and Executive Management, the compliance department maintains a register for such disclosures. Further, the Board of Directors and Executive Management are required to notify the Compliance Department before and after any trading on the Company shares or other listed companies (according to the disclosure procedures approved by the Board of Directors and regulatory instructions in place)

The Board of Directors established an investors' affairs unit managed by a Board Member to undertake such tasks, that any information disclosed to the public is presented by a company official.

The Company discloses to the public and its shareholders, through the electronic portal of Kuwait Stock Exchange Company, where the Company has a specialized page on the portal. The Company page may only be accessed by the authorized persons. The employee uploads the documents into the portal, the documents are then approved by a manager to complete the disclosure process.

Respecting shareholder rights

A policies and procedures manual for the rights of shareholders has been documented, that includes the following in order to protect the rights of shareholders:

1. Documenting the values of shareholders equities (comprising the percentage of ownership to the total capital, number and value of the shares held)
2. Freedom to trade the owned shares in a manner that does not contradict with the regulatory and legal mandates in place.
3. Obtaining dividends in proportion with the percentage of ownership.
4. Obtaining a share in the event of liquidating the Company based on the shareholding percentage and type of held shares.
5. Providing shareholders with information on the Company's activities and strategies in a manner that conflict with the instructions of the Capital Markets Authority with regards to insider information.
6. Attending the ordinary and extraordinary general assembly meetings

Kuwait Clearing Company maintains a register for all the shareholders identifying the trading number, shareholder name, number of shares held, and their value in addition to the percentage of shareholding out of the total capital. The register is updated on daily basis by the clearing company to follow up the shareholders movement.

The Company announces the ordinary (and extraordinary) general assembly meeting in two daily newspapers for two weeks consecutively. The announcement includes:

- Type of the general assembly (ordinary/extraordinary)
- Date of convening the general assembly
- Agenda and items to be discussed in the meeting

In addition to the above, the Articles of Association stipulates the voting mechanism in the general assembly on such topics which require the voting of shareholders.

Recognition of stakeholders' roles

There are several policies and procedures manuals that govern and ensure the rights of stakeholders as follows;

- Company clients – guidelines have been prepared and approved that govern the applicable procedures towards clients and their activities
- Shareholders- the shareholders rights policies and procedures manual has been drafted and approved.
- Regulatory authorities- all policies and procedures have been drafted according to regulatory and legal requirements.

The Company discloses its financial results and any other material information which may affect the Company activities or financial position to the public and shareholders through the Stock Exchange Portal.

Further, all disclosed information is available at the Company for any stakeholders review.

Promoting and enhancing performance

The subjects and that contribute to Board members enhancing performance of their duties are determined. External or internal consultants (company employees) organize training programs for the Board of Directors. Further, a Board training plan including the most significant and latest topics covering skills and experience requirements of the Board members.

An evaluation framework has been prepared & developed according to best practices and good governing standards. Further, a methodology has been approved for the evaluation of the board members individually and the board of directors collectively, including the following criteria:

- Qualifications required from Board members.
- Board interaction from Board members regarding the topics raised
- Measuring and monitoring the extent of achieving the Company strategy and objectives

A whistle blower policy has been drafted and approved to report irregularities and illegal practices in the Company, which ensures the rights of personnel and their confidentiality in the event of reporting to the Company any such cases. In addition to not proceeding with any legal and/or disciplinary action (provided these cases are in good faith) if proved otherwise.

Furthermore, internal audit, risk management and compliance departments can access the Board of Directors without Executive Management's intervention according to regulatory instructions and good governance practices.

The Company also works to develop the skills and experiences of its personnel through preparing a training plan and sending them to training courses to cover their professional requirements.

Focussing on Social Responsibility Significance

The Board complies with the issued instructions of the Capital Markets Authority regarding corporate governance principles regarding carrying out its corporate social responsibility towards its stakeholders, staff, community and environment during the performance of its business. As part of this compliance, the Board of Directors at Amwal International Investment Company were keen to lay down a policy for balancing between the social and environmental objectives along with Company's economic objectives.

The Board of Directors adopted the Corporate Social Responsibility Policy ensuring its suitability with the nature and scope of its business. The corporate social responsibility policy includes code of conduct related to bribery, corruption and compliance with the constant improvement, as well as protection against the negative social and environmental effects on the Company.

The Board of Directors appointed an employee as a social responsibility officer, in order to be directly in charge for the planning, implementation and monitoring of the corporate social responsibility activities, in addition to submitting reports to the Board of Directors on a periodical basis for the matters related to corporate social responsibility.