Title: **Resolution No. (25) of 2013 of the CMA Board of Commissioners Concerning Issuing Corporate Governance Regulations for Companies Regulated by Capital Markets Authority**

Date Publish 27 June 2013

Resolution No. (25) of 2013

of the CMA Board of Commissioners

Concerning

Issuing Corporate Governance Regulations

for Companies Regulated by Capital Markets Authority

Having perused:

- Law No. 7 of 2010 concerning the establishment of Capital Markets Authority, and Regulating Securities' activity and its Executive Bylaw;
- The Decree Bylaw No. 25 of 2012 concerning the issuance of the Companies Law and its amendments.
- Based on the resolution issued by Capital Markets Authority Board of Commissioners in its meeting No. (10) held on 19/6/2013 concerning the issuance of the Corporate Governance Regulations for companies regulated by Capital Markets Authority.

The Following was Resolved

Article One

Issuing the Corporate Governance Regulations for companies regulated by Capital Markets Authority No. (CMA/S.S./C.G /3/2013) attached to this resolution.

Article Two

Corporate Governance Regulations for companies regulated by Capital Markets Authority are applicable as of the date of issuing this Resolution

Saleh Mubarak Al-Falah

Chairman, CMA Board of Commissioners

Issued on 27 / 6 / 2013.

Corporate Governance Regulations for Companies Regulated by Capital Markets Authority. (CMA / S.S / C.G / 3 / 2013)

Chapter One

Introduction

The requirements of regulating the activities of securities in a fair, competitive and transparent manner impose the importance of setting out sound corporate governance regulations, which shall regulate the relationship between the shareholders, the Board of Directors, and the executive management in shareholding companies. This provides better security for shareholders' rights and prevents manipulation, corruption and mismanagement.

Corporate governance regulations are represented in the principles, systems and procedures that best achieve the protection and balance between the interests of companies’ management and its shareholders, as well as other stakeholders. The main objective of applying corporate governance regulations is to guarantee the company's compliance with shareholders objectives in a manner that enhances investors' confidence in the efficiency of the company's performance, and its ability to face and overcome crises.

In this regard, the corporate governance regulations regulate the mechanisms of decision making inside the company, and enhance the existence of transparency and credibility of such decisions. Among the main objectives of adopting corporate governance regulations is to protect the shareholders and segregate between the executive management who manages the company's operations and the Board of Directors who prepares and reviews the company's plans and policies, in a manner that guarantees tranquility and enhances confidence within the company, as well as enable shareholders and stakeholders to effectively supervise the company's course of business.

Based on the above mentioned, sound corporate governance entrenches the following:

First: Ethical behavior: the ethical behavior guarantees compliance with the ethics and sound code of conducts. In addition to achieving the objectives of all related parties to the company, in a balanced manner, as well as providing transparency when representing financial and non-financial information.

Second: Supervision and accountability: Setting a comprehensive system for supervision and accountability is important in identifying deviations and abuses, in addition to facilitating the engagement of stakeholders in the process of overseeing the company, as well as putting emphasis on the importance of disclosure and transparency as main factors in protecting stakeholders interests.

Third : Sound managerial structure: Sound managerial structure guarantees the allocation of authorities and responsibilities, segregation of powers, setting out a system for incentives and remunerations in line with performance evaluation of either the managers or the company's staff.

The following represent the importance of corporate governance regulations and its benefits for companies specifically and the financial sector in general:

1) Enhance company's managerial efficiency:

Corporate governance regulations urge the appropriate approach in managing companies, through the implementation of the best practices concerning modern managerial techniques, which in turn contribute in the companies' growth and profitability, as well as limiting the risks facing those companies. The practices of sound governance guarantee that the company will be managed through the Board of Directors and the management team who possess high level of experience and technical capabilities. In addition to the specialized committees formed by the Board of Directors, which conduct its operation in a way that guarantees the compatibility of the company's operations with its policy, and with the shareholders objectives.

2) Obtain low cost finances :

The appropriate practices of corporate governance provide a clear environment of confidence and security for investors, and therefore, they will be motivated to underwrite in new issuances offered by the company for capital increase through shares, or borrowing through bonds. Therefore, the company can provide the required financing sources with the least possible cost.

3) Enhance supervision and audit procedures :

The appropriate practices of corporate governance require governing the practices and behaviors of those who are in charge of the company. The company should comply with all laws and regulations issued from the supervisory authorities, and should also follow up with the company's policies and internal operation systems, and therefore provide an opportunity for the company to practice self-oversight of its activities, which in turn contribute in mitigating the risks the company may faces.

4) Support the companies' social role:

Corporate governance regulations encourage companies to effectively engage in a social role, as they make companies expand the scope of their activities to accommodate other activities along - side its main activities, such as conducting studies and researches that benefit the company, the society, the environment, and the economy, taking into consideration the three pillars of the sustainable development, which are the economic development, social advancement, and environment protection.

5) Enhance of fairness, transparency, and integrity:

Corporate governance principles aim to enhance fairness, transparency and integrity in dealing with all parties, including shareholders, investors, and other stakeholders.

6) Elimination of the conflict of interests concept:

Corporate governance regulations encourages the company to adopt the appropriate approach in dealings with related parties and different categories in the company, either inside or outside the company, in addition to avoiding all the non-proper practices that might lead to conflict of interests, and getting the company into financial problems.

From this perspective, the Capital Markets Authority hopes that the companies' managements and shareholders strive to comply with the implementation of corporate governance regulations, in order to achieve several interests not only for the adopting companies, but for the investment environment in general.

Definitions

With consideration of the definitions mentioned in Law No.7 concerning the establishment of the Capital Markets Authority and Regulating Securities' Activity, and its Executive Bylaw, the following expressions and terms shall have the meaning they bear as follows unless the contrary intention appears:

The Authority: Capital Markets Authority.

The Law and its executive bylaw: Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Regulating Securities' Activity.

Companies Law: the decree bylaw No. 25 of 2010 concerning issuance of companies' Law, its amendments, and its Executive Bylaw.

Securities Exchange: Kuwait Stock Exchange Market.

Board: Company's Board of Directors

Company: Companies listed in the Kuwait Stock Exchange (either a licensed or non-licensed persons), and the non-listed licensed companies.

Executive management: The executive management of the company, which includes the managing director/the executive member/the chief executive officer/his deputies and assistants.

Member of the Board of Directors: The natural person, or the representative of the natural person or the legal person selected to be a Board of Directors member.

Managing Director/Executive Director/Chief Executive Officer: The person hired either from the Board of Directors or from others, who is responsible of managing the company, where the Board of Directors specify his roles, responsibilities, authorities ,provisions, and delegated authorities in signing on behalf of the company, and shall receive an annual or monthly salary from the company.

Non-Executive Director: The member who does not have a full-time management position at the company, and does not receive a salary from the company. In addition the remunerations he receives as a member of the Board of Directors shall not be considered as a salary.

Board Secretary: The person appointed by the Board of Directors (either from the Board of Directors, or the executive management members, or from outside) to perform the task of registering, coordinating and keeping all the minutes of the meeting of the Board of Directors, and any other tasks assigned to him by the Board of Directors in this concern.

Auditor: Auditors who provide an unbiased and independent technical opinion concerning the fairness and integrity of the company's financial statements, which are prepared in accordance to the approved accounting standards and rules.

Stakeholders: Every person who has an interest with the company like the shareholders, the staff, the debtors, the suppliers and the customers.

Control: Each and every situation or agreement or ownership of stocks or shares, regardless of their percentage, that lead to controlling the appointment of the majority in the Board of Directors or has influence on the decisions issued by the Board of Directors, or by the General Assemblies of the concerned company.

Related parties:

A party is considered as having a relationship with the company in any of the following cases:

1- If he/she has direct or indirect control over the company.

2- If he/she is an affiliated or associated company.

3- If he/she is a member in the same group in which the company is a member.

4- If he/she is a member in the company's Board of Directors or in the company's executive management.

5- If he/she has a relative relationship (till the second degree) with a person referred to in items 1 or 4.

6- If the related party is a company under the control or the joint control or the material influence of the persons referred to in items 4 or 5 thorough their power of voting, whether directly or indirectly.

Important or material decisions: Every decision taken by the Board of Directors concerning the company' activity, or its universe, or its financial position, or its management, and has an effect on its assets or liabilities or financial position or the general course of its business.

Cumulative voting: A voting method that gives each and every shareholder a voting power relevant to the number of shares he/she owns, where he/she has the right to vote with the same in favor of one candidate or distribute them over the selected candidates, without repetition of such votes.

Chapter Two

Corporate Governance Definition

Corporate governance relies on a set of rules that represent the bases of practicing sound governance. These rules include a set of principles and Application Methodology that covers the required requirements for achieving corporate governance objectives. Governance rules are presented as follows.

Rules:

The rules encapsulate broad concepts underpinning sound corporate governance that companies should apply when implementing the principles.

Principles:

Principles include a set of requirements and provisions related to the implementation of governance rules, where companies must adopt the requirements set forth within the governance framework, in addition to emphasizing the importance of disclosing the compliance measures applied on such principles in their annual report.

Application Methodology:

The application methodology provides detailed explanation for the implementation of each principle, and guidance on minimum requirements for such implementations, in order to assist companies to comprehend and incorporate sound governance rules and principles.

The following represent corporate governance rules and principles:

Rule No.1: Strengthen Board Composition:

Principle (1/1): The majority of the Board of Directors should be non-executive members, and should include independent members.

Principle (2/1): The Board of Directors must be composed of fully independent members, which will allow them to exercise their unfettered and independent judgment without encountering any pressures or obstacles.

Principle (3/1): The Board of Directors should manage its operations and allocate sufficient time for fulfilling the roles and responsibilities assigned to them.

Rule No. 2: Establish clear roles and responsibilities:

Principle (1/2) The company must formalize the roles, responsibilities, and duties of both the Board of Directors and the executive management members, in addition to the powers and authorities that are delegated to the executive management.

Principle (2/2) The Board of Directors must form an independent specialized committees, in order to assist the Board of Directors in the implementation of the assigned roles and responsibilities.

Principle (3/2) Establish a mechanism that provides the Board of Directors with accurate and timely information and data.

Rule No.3 : Recruiting highly qualified candidates for the Board of Directors and Senior Management:

Principle (1/3) The Board of Directors should form a nomination committee, with the main role of setting out recommendations for the Board of Directors concerning nomination proposals.

Principle (2/3) The Board of Directors should form a remuneration committee, with the main role of setting out policies and procedures that organize the process of granting compensations and remunerations.

Rule No.4: Safeguard Integrity in Financial Reporting :

Principle (1/4) The Board of Directors and the executive management should provide a written covenant concerning the soundness and integrity of the company's financial reports.

Principle (2/4) The Board of Directors should form an internal audit committee, with the main role of assuring the soundness and integrity of the financial reports and internal controls systems.

Principle (3/4) Ensure the independence and integrity of the external auditor, and that such external auditor possess the professional experience and technical capabilities, as well as a good reputation.

Rule No.5: Sound Systems of Risk Management and Internal Controls:

Principle (1/5) The company should establish a department/office/independent unit for risk management, to identify, measure, and monitor the risks associated with the company's activities.

Principle (2/5) The Board of Directors should form a risk management committee, with the main role of setting out policies and procedures for risk management, in conjunction with the company's appetite towards risk tolerance.

Principle (3/5) The company should ensure the adequacy of its internal control systems.

Principle (4/5) The Board of Directors should form a governance committee, with the main role of setting out governance guidelines and framework, and to oversee its implementation, and amendments when deemed necessary.

Rule No.6 : Promote Ethical standards and Responsible Conduct:

Principle (1/6) The company should set out a code of conduct that covers provisions on professional conducts and ethical standards .

Principle (2/6) The Board of Directors should set out policies and mechanisms concerning limiting the conflict of interest cases, and determine the appropriate procedures to tackle and resolve them.

Rule No.7 : Ensure Timely and High Quality Disclosure:

Principle (1/7) The Board of Directors should set out policies and procedures for sound disclosure and transparency.

Principle (2/7) Disclosed information and data have to be accurate, transparent and on timely manner.

Principle (3/7) The Board of Directors should manage the disclosure requirements related to the Board of Directors and the executive management members.

Principle (4/7) The company should disclose in a detailed and accurate manner about the remunerations granted to the Board of Directors and the executive management members, either in the form of cash, benefits or privileges.

Principle (5/7) The company should develop and enhance the information technology infrastructure, and rely on it in the disclosures process.

Rule No.8: Respect the Rights of Shareholders

Principle (1/8) The company should identify shareholders general rights, in order to guarantee fair and equality among all shareholders regardless of their categories.

Principle (2/8) The company should ensure the accuracy and ongoing monitoring of the shareholder's information.

Principle (3/8) The company should strive to encourage shareholders to participate and vote in the company's general assembly's meetings.

Rule No.9 : Recognize the Legitimate Interests of Stakeholders :

Principle (1/9) The company should set the systems and policies that guarantee the protection of stakeholders' rights.

Principle (2/9) The company should encourage stakeholders to participate in following up on the company's different activities.

Rule No.10: Encourage Enhanced Performance

Principle (1/10) The company should set out the mechanisms that provides both the Board of Directors and the executive management members access to training programs and courses on an ongoing basis.

Principle (2/10) The company should set out the systems and mechanisms that evaluate the performance of the Board of Directors as a whole, and the performance of the Board of Directors and the executive management members.

Principe (3/10) The Board of Directors should ensure, on an ongoing basis, the importance of corporate values creation among company's staff, through continuous efforts in achieving the company's strategic objectives, enhancing key performance indicators, and compliance with laws and regulations, specifically corporate governance regulations.

Rule No. 11 : Importance of Social Responsibility :

Principle (1/11) The company should set out the mechanisms that assures a balanced realization of both the company and society's objectives.

Principle (2/11) The company should set out programs and mechanisms that help highlight the company's efforts in the field of social work.

It is worth mentioning that the above mentioned rules and principles represent the minimum requirements for the adoptions based on what have been set in the application methodology of each principle, as mentioned in chapter three of these rules.

Chapter Three

Rules of Corporate Governance

Rule No.1 Strengthen Board Composition

The Board of Directors' structure should be adequately consistent to the size and nature of the company's activity, and the roles and responsibilities assigned to it. Professional experience and special technical skills should be considered upon establishment of the Board of Directors, where members of the Board of Directors should be familiar with laws and regulations related to the rights and duties of the Board of Directors. In addition to having a full understanding and awareness of the company's activities, as well as all risks that may impact its financial position.

In light of the above, the Board should include independent members who are capable of performing an objective assessment of the company's performance in an unbiased and independent manner far from the executive management and the shareholders. This will guarantee objectivity and accountability in the decision making process, and will limit the conflict of interest that may arise between the process of taking strategic decision and the process of daily management of the company.

Principle (1/1): The Majority of the Board of Directors should be non-executive members, and should include independent members.

Application Methodology:

With regards to the establishment of the Board of Directors, and without defying what has been stated in the companies' law and its executive bylaws, the company should comply with the following:

a. The company’s articles of association should specify the number of the Board of Directors, provided it shall not be less than five members.
b. The Board of Directors' members should be elected by shareholders through confidential voting, for the term stated in the articles of association of the company, provided that such term shall not exceed three years. Member of the Board of Directors may be re-elected if no restrictions concerning this matter are stated in the company's articles of association.
c. The majority of the Board of Directors' members should be non-executives, and should include independent members provided their number does not exceed half the number of the Board members, where it is not required for the independent member to be one of the company's shareholder.
d. It is prohibited to conjoin the position of the chairman of the Board of Directors with the position of the chief executive officer.
e. On termination of a Board member's membership in any of the ways of termination, the company shall promptly notify the Authority and shall specify the reasons of such termination.
f. The member of the Board of Directors shall not act as a member of more than five shareholding companies in Kuwait at the same time, and shall not hold the position of a Board member in a similar or rival company, and not hold the position of a chairman of the Board of Directors in more than one shareholding company in Kuwait at the same time.
g. The company's general assembly is entitled to terminate the membership of the chairman of the Board of Directors or any of the Board members based on a proposal issued by a majority of Board members or a signed request from a number of shareholders who own not less than 25% of the subscribed capital.
h. The legal person – who is entitled to appoint representatives in the Board of Directors in accordance with what is stated in the company's articles of association– does not have the right to vote on the appointment of other Board of Directors members.

Principle (2/1): The Board of Directors must be composed of fully independent members, which will allow them to exercise of their unfettered and independent judgment without encountering any pressures or obstacles.

Application Methodology:

The Board of Directors should include independent members who are assigned advisory tasks concerning company's activities, which provides the Board of Directors with the support in taking sound decisions that aim to achieve the company's best interests. The independent member should satisfy the following provisions:

A. To be fully independent, the following Independency infringement includes, but not limited to the following:
   1. Holding five percent or more of the company's shares, in which he is nominated for the position of an independent Board member, or in any of its affiliated companies.
   2. To have held a senior executive position during the preceding two years, either in the company or of any other company within that company’s group.
   3. To have a first or second degree relative relationship with any of the Board of Directors members or senior executives in the company or of any other company within that company's group.
   4. To be a Board member in any company of its group, or in the one that is part of its group.
   5. Has been within the last two years an employee, in any of the related parties to the company or of any other company within that company’s group, such as the external auditors, main suppliers, or had controlling interests with any of those parties.
   6. Has been within the last two years an employee under legal persons who have controlling interests in the company.

B. The independent member should have qualifications, experiences, and technical skills that are adequate to the company's activities.

The Board of Directors meeting shall not be convened without the attendance of one of the independent members, where the independent member should be informed by any decisions proposed to be approved by the Board members, through circulation voting. In addition to that, if the independent member expressed an opposing opinion to the decisions taken by the Board of Directors, this opinion has to be noted in detail in the Board of Directors' minutes of meeting.

Principle (3/1): The Board of Directors must manage its operations and allocate sufficient time for fulfilling the roles and responsibilities assigned to them.

Application Methodology:

The Board of Directors members should allot ample time for performing the roles and responsibilities assigned to them, including the preparation for the meetings of the Board and the permanent and ad hoc committees, and shall endeavor to attend such meeting, in addition to organize, register and keep the minutes of that meetings, as shown below :

First : The preparation for Board meetings and its agenda:

The Board of Directors should convene periodical meetings, and specify the topics that will be discussed, which are relevant to the company's activities, in addition to taking the following into consideration:

1. Board of Directors meetings should not be less than (6) six meetings annually.
2. The meeting should be attended by at least half of the Board members, provided that the number of attendees is not less than three.
3. The Board of Directors should convene ordinary meetings on a regular basis, upon a request by the chairman.
4. The chairman of the Board of Directors shall convene an unforeseen meeting upon a written request by two of its members.
5. The non-independent Board of Directors member should attend (in person) at least four meetings per year, and the independent member should attend not less than 75% of the Board meetings. Independent Board members should attend all the meetings where important and critical decisions are to be taken, that may have an impact on the company.
6. The company article of association should regulate the attendance of the Board of Directors meetings, in addition to handle the cases of non-attendance of members in such meetings.
7. Board of Directors members are to be provided with a specified agenda covering specific matters, at least two days prior to the Board meeting, and should be supported with necessary documents and information, while taking into consideration unforeseen meetings, where Board members are able to consider such matters and take the appropriate decisions. Once convened, the Board of Directors shall approve the agenda, should any member of the Board raise any objection to this agenda, the details of such objection shall be included in the minutes of the meeting.

Second: Recording, organizing, and keeping the Board of Directors' minutes of the meetings:

The Board of Directors should establish a specific register for the Board's minutes of meeting, in a well-organized numerical sequence for the year of which the meeting was convened, such register should include the meeting location, date, time of commencement and adjournment. In addition to preparing minutes covering the discussions and deliberations, including votes conducted, where such minutes should be recorded and stored in chapters for ease of retrieval.

The Board of Directors should appoint a Board secretary from among its members, or the executive management, or from others, and to specify his/her duties which are in line with the level of responsibilities assigned to him. The Board secretary shall not be appointed or terminated without a resolution issued by the Board of Directors. The following represents the duties/tasks and responsibilities assigned to the Board secretary:

1. Registering, organizing, and recording all the Board of Directors' minutes of meeting, and its records, books, in addition to the reports submitted by or to the Board, provided that minutes of meeting should be signed from both the secretary and all members who attend the meeting.

2. Ensure that the Board members follow the approved procedures, and that all members are informed with the meeting schedules, at least two days prior to the meeting, taking into consideration the unforeseen meetings.

3. The Board secretary should ensure that Board members have full and timely access to minutes of all Board meetings, and information, documents, and records pertaining to the company.

4. Under the supervision of the chairman the Board secretary should ensure the delivery and dissemination of information to the Board members, and to coordinate between the Board members and other stakeholders in the company, including shareholders, different company departments, and staff.

Rule No.2 Establish Clear Roles and Responsibilities

This rule covers the roles and responsibilities of both the Board of Directors and the executive management, which should be clearly clarified through the company's organization chart.

The role of the Board of Directors in the company serves as the balance point between achieving shareholders objectives and monitoring the performance of the company's executive management. Where the Board of Directors seeks to achieve the company's strategic objectives through ensuring that the tasks assigned to the executive management are being performed efficiently and effectively, and enhancing company's competitive advantage, as well as achieving high growth rates and maximize profits. The decisions and procedures set forth by the executive management should always be in favor of shareholders interest.

In this regard, Board resolutions highly impact the company's performance and soundness of its financial position. Therefore, tools and mechanism should be made available to Board of Directors that allow for practicing effective supervision over the executive management, and monitoring of managers performance. In addition to this, the Board of Directors should be provided with all the necessary information and data that would assist it in the decision making process.

Based on this, and in order for the Board of Directors to effectively perform its responsibilities, and to ensure its full independence, there should be a clear segregation in the specializations and responsibilities between the Board of Directors and the executive management.

Principle (1/2) The company must formalize roles, responsibilities, and duties of both the Board of Directors and the executive management members, in addition to the powers and authorities that are delegated to the executive management.

Application Methodology:

The tasks and responsibilities of both the Board of Directors and the executive management should be clearly specified in the company's organizational structure, where the structure should reflect a balance in the powers and authorities between the Board of Directors and the executive management, so none of the two parties possess ultimate authorities. Such segregation would facilitate the accountability process by the shareholders of both company's Board of Directors and executive management.

In this regard, it should be noted that the Board of Directors carry out all the powers and authorities required for managing the company, where the ultimate responsibility for the company rests with the Board, even when the Board sets up committees or delegate some of its powers to other entities or individuals. In addition to the above, the Board of Directors should avoid issuing general or indefinite power of attorney. The responsibilities of the Board of Directors should be clearly stated in the company's articles of association, taking into consideration the competences of the general assembly.

The following represents the roles and responsibilities assigned to the Board of Directors, the chairman, and the executive management:

First : Roles and responsibilities of the Board of Directors:

The roles and responsibilities of the Board of Directors include, but not limited to the following:

1. Approve the main objectives, strategies, plans, and policies of the company. This includes, as a minimum, the following:

- The comprehensive strategy of the company and the main business plans, in addition to reviewing and organizing such strategy.
- The appropriate capital structure of the company and its financial objectives.
- A clear policy for distributing profits (cash/non-cash) to achieve both shareholders and the company's interests.

- Key performance objectives, supervising the implementation process, and company's overall performance.
- The company's organizational and functional structures and reviewing them on a periodic basis.

2. Approve the annual budgets, and approving the interim and annual financial statements.

3. Supervise the company's main capital expenses, and acquisitions/disposal of assets.

4. Ensure company compliance with the policies and procedures that guarantee company's respect to the internal systems and regulations set forth.

5. Ensure accuracy and integrity of data and information to be disclosed, according to what has been stated in the disclosure and transparency policies and systems set forth.

6. Periodical disclosure and publications (at least semiannually) of the company's activities, and any effective developments of its operations.

7. Establish effective communication channels that allow company shareholders to continuously and periodically assess company's different activities and major developments.

8. Establish a companywide corporate governance code – without contradiction with the provisions of these regulations – and, in general, supervise and monitor the effectiveness of the code, and amending it whenever deemed necessary.

9. Set up specialized committees formed out of the Board, where such formation should be according to a charter that specifies the term of the committee, its authorities and responsibilities, as well as the manner in which the Board monitors its activities. The resolution of setting up any committee should include the members' names, and specify their tasks, rights, and roles. In addition to assessing the performance of such committees and its main members.

10. Ensure that the company's organization structure is characterized with transparency and clarity, in order to allow the decision making process, and realize sound governance principles, segregate powers and authorities of both the Board of Directors and the executive management. In this regard, the Board of Directors are required to conduct the following :

- Approve and enhance the internal procedures and systems related to the company's operations, in addition to specifying tasks, competences, duties and responsibilities among different organization levels.
- Approve the delegation policy assigned to the executive management.

11. Determine the powers delegated to the executive management, along with the procedures for taking decisions and the validity of such delegation. The Board of Directors shall also specify matters reserved for decision taken by the Board. The executive management shall submit periodic reports concerning the implementation of the delegated powers.

12. Supervise and monitor the performance of the executive management and ensure that they perform all the tasks assigned to them. The Board of Directors should conduct the following:

- Ensure that the executive management performs their tasks in accordance with the approved policies and procedures set forth by the Board of Directors.
- Convene routine meetings with the executive management to discuss the business course, obstacles and problems encountered, in addition to presenting and discussing material information relevant to company's activities.
- Set performance indicators for evaluating the executive management, where such indicators should be in line with the company's objectives and strategy.

13. Specify employees remuneration tranches, such as fixed remunerations, performance based remunerations, and remuneration in the form of bounces shares.

14. The appointment or termination of any of the executive management members, including the chief executive officer or similar.

15. Protect the rights of stakeholders through establishing a policy that regulates the relation with them.

16. Establish system that regulates transactions with related parties, to limit any arising conflict of interests.

17. Ensure, in a regular manner, the effectiveness and adequacy of the internal controls applied in the company and its affiliates , through the following:

A. Ensure the soundness of the financial and accounting systems, including financial reporting systems.
B. Ensure the implementation of adequate control systems set for measuring and managing risks, through identifying the risks surrounding the company, and establishing an environment that

advocates a companywide risks mitigation culture, and transparently in disclosing such risks with stakeholders and the company's related parties .

Second: Duties and responsibilities of the chairman of the Board of Directors:

In addition to the provisions stated in item “first” above, the chairman of the Board of Directors shall be responsible for the proper functioning of the Board of Directors, including providing Board members with comprehensive and accurate information in a timely manner. The duties and responsibilities of the chairman of the Board of Directors include, but not limited to the following:

1. Ensure the Board discusses all main matters in an effective and timely manner.
2. Act as a representative on behalf of the company towards others, in accordance with what is stated in company's articles of association.
3. Encourage all Board members to fully and effectively participate in conducting the Board's affairs, in order to ensure that the Board of Directors acts for the company's best interest.
4. Ensure effective communication channels with the shareholders and the transmission of their views to the Board of Directors.
5. Encourage constructive relationship and effective participation between the Board of Directors and the executive management, and between the executive, non- executive and independent members.
6. Create a culture that encourages constructive criticism on debatable matters between Board members.

Third: Duties and responsibilities of the executive management:

The company's executive management is a group of persons who are assigned the task of managing company's daily operations (chief executive officer, his deputies, his assistants, and senior executives or similar). The main role of the executive management is presented as follows:

- Implementation of company's strategic plans, and the relevant internal policies and bylaws, and ensure their adequacy and effectiveness.
- Full responsibility of the company's overall performance, through the establishment of a managerial structure that enhances accountability and transparency.

The following represent the main tasks and responsibilities for the executive management to abide by, within the delegated powers and authorities assigned to them by Board of Directors:

1. Implementation of all company's policies, bylaws and internal systems, as approved by the Board of Directors.
2. Implementation of the annual strategy and plan approved by the Board of Directors.
3. Prepare the (financial and non-financial) periodic reports, concerning the progress level of the company's activity relative to the company's strategic objectives and plans, and submitting such reports to the Board of Directors.
4. Establish a comprehensive accounting system that keeps books, records and accounts, reflecting the financial statements, and the income accounts in a detailed and clear manner, to support the sustainability of the company's assets, and the preparation of the financial statements in accordance with international accounting standards approved by the Authority .
5. Manage daily operations and activities, in addition to managing the company's resources in an appropriate manner, and maximizing profits and minimizing expenses, in accordance with the company's objectives and strategy.
6. Effective participation in the establishment and development of ethical values culture within the company.
7. Establish an internal control and risk management systems, and ensure the effectiveness and adequacy of such systems, in addition to compliance with the risk appetite approved by the Board of Directors.

Principle (2/2) The Board of Directors must form independent specialized committees, in order to assist the Board of Directors in the implementation of the assigned responsibilities

Application Methodology:

The formation of different types of committees is part of the Board of Directors' responsibilities to better enable the Board to perform its tasks effectively, where such tasks are relevant to the company's needs and status. The Board of Directors should take the following into consideration:

A. The formation process of committees that follow the Board of Directors should be in accordance with the internal bylaws set forth by the Board of Directors, where such internal bylaws shall specify the committee duties, term, delegated authorities, and the manner by which the Board of Directors supervises such committees. The committee should inform the Board of Directors about its tasks, findings, and the decisions made in a transparent manner.
B. The Board of Directors shall approve all the bylaws and procedures for all the permanent committees formed, and shall periodically follow up the tasks of the different committees, to ensure the accomplishment of their assigned tasks.
C. The committees shall hold the responsibility of their tasks before the Board of Directors. However, this does not exempt the Board of Directors from its responsibility towards such committees' tasks.

D. Form specialized committees such as an audit committee, risk management committee, nomination committee, remuneration committee, governance committee, and any other committees the Board finds necessary for conducting the company's operations.
E. Appoint sufficient non-executive and independent number of the Board of Directors' members in the formed committees.

Principle (3/2) Establish a mechanism that provides the Board of Directors with accurate and timely information and data.

Application Methodology:

The executive management should strive to provide (in general) all Board of Directors members – specifically non executives and independent members- with accurate and comprehensive information and data in a timely manner, through setting an effective mechanism that allows Board of Directors members access to all information and data, in order to enable them to perform their duties and tasks effectively and efficiently.

Therefore, the company should develop the main infrastructure for its information technology systems, particularly the one related to reporting systems, to ensure that all reports are being prepared with a high level of integrity/quality and efficiency. Such reports should be submitted to the Board of Directors' members in a timely manner, in order to facilitate decisions taking process in an appropriate time.

Rule No.3 Recruiting Highly Qualified Candidates for Board of Directors and Senior Management

The nominated candidate for a membership in the Board of Directors or the executive management should possess professional experience and technical capabilities, as well as good reputations and personal qualities. This is considered as one of the key pillars for a company's sound financial position, and an important factor to prevent potential risks. From this perspective, the nomination process for a membership in the Board of Directors or the executive management of the company should be conducted in accordance with an efficient and transparent institutional framework, in order to ensure that the nomination process, either for a membership in the Board of Directors or the executive management, is mainly for the company's best interest, and strives to achieve shareholders objectives.

Principle (1/3) The Board of Directors should form a nomination committee, with the main role of setting out recommendations for the Board of Directors concerning nomination proposals.

Application Methodology:

The Board of Directors should form a committee to be named “nomination committee”. Its members shall not be less than three, provided that the committee includes at least one member from the independent members, and the chairman of the committee should be one from the non-executive Board members. The Chairman of the Board of Directors is restricted from a membership in such committee.

The company's general assembly – based on a proposal from the Board of Directors – shall issue rules concerning the selection of the nomination committee members, membership term, and the manner by which the committee operates. The tasks and responsibilities of the nomination committee include the following:

a. Recommend the nomination and re-nomination of the membership in the Board of Directors, Board committees and the executive management, taking into consideration the exclusion of any person not satisfying the requirements stipulated in the Authority's Regulations concerning competency and integrity principles of the nominated persons. The committee should take into consideration the attendance frequency and participation of members in the Board meetings, in addition to the implementation of their duties and responsibilities. The committee has to satisfy the above mentioned tasks before applying for an Authority approval in this matter.

b. Annual review of appropriate skills required for a membership in the Board of Directors, and attracting applicants' requests for occupying executive management positions as needed, and assessing and examining such requests, taking into consideration what has been stated in Authority's Regulations concerning competency and integrity principles. The following represents the minimum requirements that should be satisfied by any applicant applying for a membership in the Board of Directors or the executive management:

- Educational and academic qualifications that match with the position for which he/she is nominated for.
- Appropriate professional experiences in fields matching the institution's nature of operations, and the position for which he/she is nominated for.

- Technical, leading, and managerial capabilities that promote candidate's independency, timely decision taking, and the ability to absorb all technical requirements and new developments relevant to business.

C. Set out a job description for executive, non-executive and independent members.

D. Propose the nomination and re-nomination of independent members for election, through the general assembly, and ensure the non - infringement of independency from the independent Board member.

The nomination committee has to publish at least two announcements in two daily newspapers, concerning the commencement of the application submission period for those who are interested in applying for a membership in the Board of Directors, provided that the nomination period remains open for two weeks as of the date of the announcements. For a listed company, an announcement should be published in the Kuwait Stock Exchange website.

It is also required for the nomination committee to convene meetings on regular basis at least once a year, and whenever deemed necessary, in addition to the documentation of the minutes of its meetings.

Principle (2/3) The Board of Directors should form a remunerations committee, with the main role of setting out policies and procedures that organize the process of granting compensations and remunerations.

Application Methodology:

The adoption of fair remuneration mandate is a main factor for attracting, and motivating talented employees and calibers who possess high professional experience and technical capabilities, as well as entrenching the loyalty principle towards the company. This will promote maintaining good calibers, in addition to motivating employees to achieve the company's objectives and enhance its status regardless of their different organizational levels.

Without defying the provisions stated in the companies law and its executive bylaw, the company should set out a clear policy for granting remunerations that covers the identification of remunerations granted to the chairman and Board members, provided that the lump sum shall not exceed ten percent of the company's net profit (after deduction of amortization, reserves, and the distribution of profits not less than five percent of the company's capital to shareholders, or any higher percentage stated in company's article of association). It is permitted to allot a remuneration of not more than six thousand Kuwaiti Dinars to the chairman and each of the Board of Directors' members from the date of company's establishment up to the date of realizing profits, which will allow the distribution of remunerations according to the above mentioned percentages. It is possible to exempt the independent member of the Board of Directors from the above mentioned maximum limit of remunerations relevant to the resolution issued from the shareholder's ordinary general assembly.

The remuneration policy should contain the following provisions as a minimum:

1. To be approved by the Board of Directors.
2. To be linked with the performance levels of the company's employees.
3. To be consistent with both the company's long and short term strategy and objectives.
4. To be consistent with company's size, nature, and risk level associated with company's activity.
5. To be suitable for the experiences and qualifications of the company's employees given their different organizational levels.
6. To have an unexaggerated remunerations and salaries structure that strives to attract qualified personnel.
7. To be prepared in coordination with the nominations committee.

From this perspective, the Board of Directors should form a committee to be named "remuneration committee". Its members shall not be less than three, provided that the committee includes at least one member of the independent members, and the chairman of the committee should be one from the non-executive Board members. The Chairman of the Board of Directors is restricted from a membership in such committee. The following represents the remunerations committee duties:

a. Establish a clear remunerations policy for the Board of Directors and senior executives, abiding with the above mentioned provisions.
b. Identify remunerations tranches that will be granted to the company's employees, such as fixed remunerations, performance based remunerations, remunerations in the form of bounce shares, and end of service remunerations.
c. Ensure that remunerations are granted in line with provisions stated in the policy set in this regard.
d. Periodical (annual) review of the remunerations policy, and assess its effectiveness in achieving the targeted objectives, which are represented in the form of attracting qualified calibers, and retention of staff who possess professional experience and technical capabilities necessary for enhancing the company's status.
e. Prepare a detailed annual report that covers all the remunerations granted to the Board of Directors' members and the executive management, either in the form of cash, benefits, or privileges, regardless of its nature or label, and submit this report to the company's general assembly for approval.

Rule No.4 Safeguard Integrity in Financial Reporting

The soundness of the company's financial statements is considered one of the main indicators that demonstrates the company's integrity and credibility when presenting its financial position, and therefore increases investors' confidence in the information and data provided by the company, and allows the shareholders to practice their rights. In this regard, the company has to set a mechanism for ensuring the soundness and integrity of its financial statements, and that company's accounts and financial statements have been supervised and reviewed by the audit committee, and ensure the integrity and independency of the external auditor.

Principle (1/4) The Board of Directors and the executive management should provide written covenant concerning the soundness and integrity of the company's financial reports.

Application Methodology:

The executive management (chief executive officer, the financial manager or similar) should provide the company's Board of Directors with a written covenant that the company's financial statements are presented in a true and fair view, and it covers all the company's financial aspects such as data and operational results, in addition to preparing financial statements in accordance with the international accounting standards approved by the Authority.

The Board of Directors should assure the soundness and accuracy of the financial statements provided to the external auditors, in order to enable the external auditors to fully perform the tasks assigned to them. Furthermore the annual report submitted to the shareholders should contain a covenant regarding the soundness and integrity of all financial statements and reports related to the company's activities.

In this regard, the above mentioned covenants shall contribute to the effectiveness of the accountability process, either in the case of questioning the accountability of management by the Board of Directors, or the accountability of the Board of Directors by the shareholders.

Principle (2/4) The Board of Directors should form an internal audit committee, with the main role of assuring the soundness and integrity of the financial reports and the internal control systems.

Application Methodology:

The presence of an internal audit committee is considered one of the main indicators that demonstrate the implementation of sound governance regulations. Such committee works on entrenching the compliance culture within the company, through safeguarding the soundness and integrity of company's financial statements, in addition to ensuring the adequacy and effectiveness of the company's internal control systems.

From this perspective, the company's Board of Directors should form an internal audit committee that satisfies company's nature of activities, provided that this committee maintains full independence, and includes calibers who possess specialized experiences that will serve to fulfill the committee's assigned duties. The following represents the main t features of the audit committee:

a. The Board of Directors should establish an audit committee, its members shall not be less than three, provided that the committee includes at least one member of the independent members, and the chairman of the committee should be one from the non-executive Board members. The Chairman of the Board of Directors is restricted from the membership in such committee.
b. Include at least one member who holds an educational qualification and/or practical experience in the fields of accounting and finance. The committee may also rely on external expertise upon Board of Directors' approval.
c. The Board of Directors shall specify the membership term of the committee members, and the mechanisms of its operation.
d. In case of any conflicts between the audit committee recommendations and the Board of Directors resolutions, including cases where the Board refuses to follow the committee recommendations concerning the external auditors and/or internal auditor, the Board of Directors are required to include a statement that clearly stipulates such recommendations in the governance report, and the reason or reasons behind the Board’s decision of non-compliance of them.
e. The internal audit committee may consult an independent external consultant entity at the expense of the company.
f. The internal audit committee shall convene meetings on a regular basis at least once every three months, and whenever deemed necessary, in addition to the documentation of the minutes of its meetings.
g. The internal audit committee shall convene meetings with the external auditors on a regular basis, and four times at least with the internal auditor, where both the internal and external auditors are entitled to request a meeting with the committee whenever deemed necessary.

The following represent powers and authorities of the internal audit committee:

1. Review of the periodic financial statements prior to their submission to the Board of Directors, and raise views and recommendations to the Board of Directors in this regards, in order to guarantee the fairness and transparency of financial statements.
2. Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the external auditors, and identifying their remunerations, in addition to reviewing the external auditors' appointment letters and ensures their independence.
3. Follow up on the work of the external auditors, and ensure no services other than services related to audit functions are provided to the company.
4. Review the external auditors observations concerning the company's financial statements, and follow up on its status.

5. Review the applied accounting policies, and provide the Board of Directors with views and recommendations in this regard.
6. Assess the adequacy of the company's internal control systems in place, and prepare a report covering the views and recommendations of the committee in this regard.
7. Supervise the company's internal audit department, in order to ensure its effectiveness in performing the operations and tasks assigned by the Board of Directors.
8. Recommend the appointment of an internal audit manager, his/her transfer, and removal, in addition to evaluating his performance, and the performance of the internal audit department.
9. Review and approve the audit plans proposed by the internal auditor, and provide feedback.
10. Review the results of the internal audit reports, and ensure that the necessary corrective actions were taken concerning the observations stated in such reports.
11. Review the outcomes of supervisory entities reports and ensure that necessary measures were taken in this regard.
12. Ensure the company is in compliance with relevant laws, policies, bylaws and Regulations.
13. Review the company's potential deals and transactions with related parties, and provide the Board of Directors with the appropriate recommendations in this regard.

Principle (3/4) Ensure the independence and integrity of the external auditor, and that such external auditor possess the professional experience and technical capabilities, as well as a good reputation.

Application Methodology:

The annual ordinary general assembly shall appoint the company's external auditor according to Board of Directors' proposals, provided the following is taken into consideration:

1. The nomination of the external auditor should be based on the audit committee recommendation submitted to the Board of Directors.
2. The auditor should be listed in the Authority's external auditors register, i.e. fulfilling all the required provisions stated in the authority's resolution concerning the mechanism of listing external auditors.
3. To ensure the independence of the external auditor from the company and its Board of Directors, and ensure no services other than services related to the audit functions are provided to the company, which may affect the auditors' neutrality or independency.
4. The auditor should be permitted to discuss his opinions with the audit committee, prior to the submission of the annual financials to the Board of Directors for taking decision in this regard.
5. The external auditor shall be granted permission to attend the meetings of the general assembly, and to present his report to the shareholders, clearly stating any encountered obstacles or interferences during the audit process. The external auditor should also inform the Authority of any material violations or obstacles, and their details.

Rule No.5 Sound Systems of Risk Management and Internal Controls

The Board of Directors should have the ability to comprehend and analyze the nature and volume of risks surrounding the company's activities, in order to mitigate such risks as much as possible, in addition to set the appropriate procedure for handling them. Such procedures include the identification of internal and external factors that caused or could cause the occurrence of such risks, and developing the appropriate measures for tackling them. Such procedures and measures should be in accordance with strategies and policies set in this concern, and particularly, the company's risk appetite.

In this regard, a sound risk management should be supported with effective internal control systems that provide supervision over the soundness of the financial statements, the efficiency of the company's operations and evaluation of the level of compliance with regulatory provisions.

Principle (1/5) The company should establish a department/office/independent unit for risk management, to identify, measure, and monitor the risks associated with the company's activities.

Application Methodology:

The company's organization structure (as approved by the Board of Directors) should include an independent department for risk management that mainly focuses on measuring, monitoring, and mitigating all types of risks facing the company, as follows:

1. The company should set effective systems and procedures for managing risks, in order to perform its main tasks represented in measuring and monitor all types of risks facing the company, provided that this process is performed on an ongoing basis, reviewed periodically, and adjusted when deemed necessary.
2. The company should strive to improve its periodic reporting systems, as it is considered to be one of the important tools in the risks monitoring process and limiting their probability of occurrence.

3. Those assigned with the task of risk management should maintain full independence, and a wide range of authorities which allows them to perform their tasks to the fullest.
4. The risk management department should consist of qualified calibers who possess both professional experience and technical capabilities.

Principle (2/5) The Board of Directors should form a risk management committee, with the main role of setting out policies and procedures for risk management, in conjunction with the company's appetite towards risk tolerance.

Application Methodology:

The Board of Directors should form a committee to be named "risk management committee". Its members shall not be less than three, provided that the committee includes at least one member from the independent Board members, and that the chairman of the committee should be one from the non-executive Board members. The chairman of the Board of Directors is restricted from a membership in such a committee. The Board of Directors shall specify the membership term of the committee members and the function of its operations. The following represent the powers and authorities of the committee:

1. Setting and reviewing the risk management strategies and policies prior to their approval by the Board of Directors, and ensuring the implementation of such strategies and policies, and their suitability to the company's nature and level of activities.
2. Ensure the availability of sufficient resources and systems for risk management.
3. Evaluate the systems and mechanisms of identifying, measuring and monitoring different types of risks that may face the company, to help identify areas of weakness.
4. Assist the Board of Directors in identifying and evaluating the company's acceptable risk level, and ensure that the company does not exceed this level of risk after its approval by the Board of Directors.
5. Review and setting recommendations on the organization structure of the risk management department, prior to its approval by the Board of Directors.
6. Ensure the independence of the risk management staff from activities that result in subjecting the company to risks.
7. Ensure that the staff members of the risk management department have a full understanding of the risks surrounding the company, and strive to increase staff awareness of risks' culture and their understanding of such risks.
8. Prepare periodic reports on the nature of risks facing the company, and submitting such reports to the company's Board of Directors.
9. Review the issues raised by the audit committee relevant to, or affecting risk management in the company.

10. The risk management committee shall convene meetings on a regular basis, at least four times annually and whenever deemed necessary, in addition to the documentation of the minutes of its meetings.

Principle (3/5) The company should ensure the adequacy of its internal control systems.

Application Methodology:

The company should have in place internal control systems that capture all the activities of the company, where such systems shall focus on maintaining the company's financial position soundness, accuracy of its data, and the efficiency of its operations from different aspects. The company's organization structure should take into consideration the dual supervision internal control principles “Four Eyes Principles” represented in the following:

A. Ultimate segregation of duties/tasks.
B. Inspection and dual control.
C. Dual signature.

From this perspective, the company should establish an internal audit department/office/ or unit, given the following:

- Reports directly to the Board of Directors and the audit committee.
- The manager of internal audit department shall be directly appointed by the Board of Directors.
- The Board of Directors shall specify the duties/tasks and responsibilities of the internal audit department.

In this regard, the internal audit department/office/unit should prepare reports that include a review and assessment of the company's internal audit systems in place, provided that the report covers the following:

- Supervision and control procedures on the company's financial affairs, investments, and risk management.
- A comparison between the development of risk factors in the company, and the systems in place to evaluate the efficiency of the company's daily business operations, and its ability to face unexpected changes in the market.
- Evaluate the Board of Directors and the executive management performance in implementing the internal control systems, including the number of times in which the Board of Directors was informed of control issues, and the method in which they resolved such issues.
- Reasons of failure in the implementation of internal controls, or the areas of weaknesses in their implementation, or the emergency cases that impacted or may impact the company's financial

performance, and the procedure taken by the company in resolving the failure in the implementation of the internal controls.

In addition to the above, an independent audit firm should be assigned the task of assessing and reviewing the internal control systems and prepare a report in this regard (Internal Control Report), in addition to providing the Authority with such a report on annual basis. The company should appoint another audit firm with a task of reviewing and evaluating the performance of the internal audit department/office/unit on a periodical basis every three years, and shall provide both the internal audit committee and the Board of Directors with a copy of this report.

Principle (4/5) The Board of Directors should form a governance committee, with the main role of setting out governance guidelines and framework, and to oversee its implementation, and amendments when necessary.

Application Methodology:

The Board of Directors shall form a committee to be named "Governance Committee". Its members shall not be less than three, provided that the committee includes at least one member from the audit committee independent members, with the chairman of the Board acting as the chairman of the committee. The following represent the minimum set of authorities and duties/tasks for this committee:

1. Ensure that the corporate governance standards and applications approved by the Board of Directors are consistent with the Authority's requirements on corporate governance regulations.
2. Supervise the process of preparing and implementing of the governance manual, and regularly have it reviewed and revised when deemed necessary.
3. Coordinate with the audit committee to ensure the compliance with the governance manual guide.
4. Monitor the performance of both the Board of Directors members and the executive management through applying a set of Key Performance Indicators (KPIs).
5. Monitor any issues relevant to the governance applications, and providing the Board of Directors (at least annually) with reports and recommendations reflecting the results of the committee's findings during its course of operation.
6. Prepare an annual report that covers the requirements and the procedures for completing compliance with the companies' corporate governance regulations, and the current level of compliance, provided that this report is included in the annual report prepared on company's activities.
7. The governance committee shall convene meetings on a regular basis, at least two times annually and whenever deemed necessary, in addition to the documentation of the minutes of meetings.

Rule No.6: Promote Ethical Standards and Responsible Conduct

The entrenchment of the ethical standards and responsible conduct culture within the company enhances investors' confidence in the company’s integrity and soundness of its financial position. Where the compliance of all the company's staff, from the Board of Directors, or the executive management, or other staff, with the company's internal policies and bylaws, along with the company's legal and control requirements, shall lead to the serving the best interest of all the company’s related parties, specifically the shareholders, without any conflict of interest and with a great deal of transparency.

Principle (1/6) The company should set out a code of conduct that covers provisions of professional conduct and ethical standards.

Application Methodology:

The role of the Board of Directors is represented by setting the standards and provisions that entrench the ethical concepts and values of the company, while the responsibilities of the executive management is represented in the execution of the company objectives in accordance to such standards and provisions. Therefore, setting a business charter for the company shall help both the Board of Directors and the executive management perform their duties/tasks to the fullest. The business charter should include a set of provisions and standards that cover the following as minimum:

1. Entrench the principle of compliance of each Board of Directors and the senior executive management with all laws and regulations, and fair representation of all shareholders, and compliance with serving the best interest of the company, its shareholders, and its other stakeholders, not the interest of one specific group.
2. Board of Directors' members or the executive management shall not abuse their positions by pursuing private interests or any personal benefits for himself or other parties.
3. Not to utilize any of the company's assets and resources in a way to pursue personal interests, but to utilize them in a way that best achieves the company's objectives.
4. Ensure the setup of an effective system and a clear mechanism for preventing the Board of Directors members, independent members, and staff from utilizing material information that they

come across from their positions for their personal interest, in addition to prohibiting the disclosure of any information or data regarding the company, except in the cases where such information are allowed or are legally required.

5. Ensure the setup of procedures that regulate transactions with related parties.
6. Establish a clear segregation between the company's interests and those of the Board of Directors' members, through having the Board of Directors set mechanisms for giving priority to the company's interests over the interests of the Board of Directors' members.
7. Each member of the Board of Directors has to disclose to the Board of Directors of any mutual interests with the company, whether such interest is direct or indirect.
8. Restrict the participation of a Board member in discussing, expressing any opinion, or voting on any matters related to the Board of Directors where the member has a direct or indirect mutual interest with the company.
9. Set a mechanism that offers the company's staff the ability to report their suspicions regarding any improper practices or suspicious issues in the financial statements, or issues in internal control systems or any other issues, in addition to setting the appropriate arrangements that will allow for an independent and fair investigation of these issues, along with guaranteeing the protection of the whistleblower from any passive reaction or harm he may incur as a result of reporting such practices.

Principle (2/6) The Board of Directors should set out policies and mechanisms concerning limiting the conflict of interest cases, and determine the appropriate procedures to tackle and resolve them.

Application Methodology:

The Board of Directors should have in place an approved policy for the conflict of interests, provided that such policy include clear examples of conflict of interest cases, and the method for resolving and handling such conflicts . This includes, but is not limited to the following:

a. It is restricted for any of the Board of Directors members to have any interest (whether direct or indirect) in the business transactions/operations and contracts conducted for the company without a license from the general assembly - renewed on annual basis. An exception to this restriction is permissible when a public tender offer method is used for the company's business transaction/operations, and the Board member provides the best offer.
b. A Board of Directors member should inform the Board of any mutual personal interest he/she has in the businesses/operations and contracts conducted for the company, where such reported information should be documented in the minutes of meeting. The member with mutual interest shall be restricted from the voting process concerning the decision issued in this regard. The Board chairman shall inform the general assembly upon convening of its meeting of any

mutual personal interest a Board member has in the company's businesses/operations and contracts. Such reported information should be attached with the external auditor's report.

c. It is restricted for any of the Board of Directors' members to participate in any form of business that serves as a competition with the company, or trade in any type of activity practiced by the company without a license from the general assembly - renewed on annual basis.
d. The company may not provide credit facilities of any type to the members of its Board of Directors, or guarantee any loan granted to any member from other parties, with the exception of banks, and other financing companies provided the compliance with regulations set by the Central Bank of Kuwait in this regard.

Rule No.7 Ensure Timely and High Quality Disclosure

Accurate disclosure is considered one of the main mechanisms for monitoring the company's activities and evaluating its performance. Such disclosure provides assistance in improving the understanding of shareholders, investors, and public on the company's structures, activities, and the applied policies, in addition to evaluating the company's performance regarding compliance with ethical standards.

Accurate disclosure is also considered as one of the assisting factors in attracting capital, where it gives the investors the opportunity to view all material matters related to company's activities and its financial data, and therefore increases the investors' confidence and trust concerning both company's financial integrity specifically, and the financial sector in general.

It is important for shareholders and potential investors to acquire accurate information, which are characterized by accountability and comparability, so they can evaluate company's performance, and management efficiency, as well as taking appropriate decisions based on the disclosed information. Therefore, the company should always disclose in a timely manner all matters related to the company's establishment, financial position, performance, and its ownership structure.

In this regard, one of the main reasons behind the occurrence of financial and accounting failures in some companies is mainly due to the lack of sound disclosure and transparency practices applied by the company's management, in addition to the shortage of policies and procedures concerning accurate and timely disclosure of all matters related to the company's financial position, activities and its managerial and operational information applied by such companies.

From this perspective, accurate and timely disclosure and transparency are considered one of the main pillars in corporate governance regulations, which permit shareholders to practice their roles to the fullest, where it achieve the following:

- The entrenchment of the company's financial stability pillars specifically, and the financial sector in general.
- Provide information and data for all parties interested in the company, whether they are current or potential investors.
- Achieve on-going monitoring of the company's activities.
- Facilitating the processes of accountability for both the Board of Directors and the executive management.

Principle (1/7) The Board of Directors should set out policies and procedures for sound disclosure and transparency.

Application Methodology:

The Board of Directors should be keen on building and establishing a new disclosure and transparency system consistent with the provisions stated in the Law and its Executive Bylaw, and with any Regulations issued from the Authority in this regard. Such system should identify the aspects, scopes and characteristics of disclosure, which is related to matters or factors that should be disclosed, as follows:

1. The Board of Directors should establish policies and procedures for disclosure and transparency according to the following:
   A. To be approved by the Board of Directors.
   B. To cover all the disclosure methods of financial and non-financial information and data relevant to the company's current financial position, performance, and ownership. Such disclosure methods are to be transmitted through the appropriate disclosure means, in a manner that helps stakeholders view the company's status in a comprehensive manner.
   C. To include the mechanisms of disclosing comprehensive data and information to all stakeholders in a transparent and timely manner without any discrimination, provided that the data and information are accurate, precise and not misleading.
   D. To include the mechanisms of classifying the disclosed information based on their nature (financial information, non-financial information), or disclosure periodicity, in addition to material information.
2. Company's disclosure and transparency policies and mechanisms should be reviewed on a periodical basis, where such policies and mechanisms should be consistent with the best international practices applied in this regard, and with what is applied by the Authority.
3. Establish reporting systems that identify information that should be disclosed, and their mechanisms of classification based on their nature or disclosure periodicity, according to the company's disclosures and transparency policies and systems.
4. Prepare an annual report that covers the company's financial position, its operation results, its activities, and any changes in the capital's structure.

5. To disclose information relevant to any material events, in accordance with the Authority's Regulations concerning disclosure of material information and the mechanism of their announcement.

Principle (2/7) Disclosed information and data have to be accurate, transparent and on timely manner.

Application Methodology:

The company should provide all categories of shareholders and investors with the main data and information without any discrimination, in an accurate and timely manner, where all parties will be able to practice their rights to the fullest, in accordance with the Law and its Executive Bylaw and the Authority's Regulations concerning the disclosure of material information and the mechanism of their announcement.

The following represent the main information and data that the company should disclose to current and potential shareholders and investors, through the appropriate means of disclosure, whether through the daily newspapers or the company's annual report, website, or the Securities Exchange (for listed companies), or any other means the company may deem appropriate for disclosure:

1) Financial reports prepared in accordance with the international accounting standards that are approved by the Authority, where such reports should cover the following as a minimum:

- Statement of the financial position.
- Statement of income.
- Statement of cash flow.
- Statement of changes in the shareholders' equity.
- External auditors' reports.
- Board of Directors' reports concerning the interim financial statements.

2. Company's projected plan and strategy.

3. The operational results, and the related financial indicators and ratios.

4. Dividends date for shareholders registered in the company's shareholders register.

5. The authorized and paid up capital structure, and any changes that may occur to the capital structure (in case of issuing shares or bonds).

6. Shares owned by the Board of Directors or the executive management members either in the company or any of its affiliates or associated companies.

7. The market price of the company's share for all years in which the company has been listed in the Securities Exchange in state of Kuwait, or any Securities Exchange outside the State of Kuwait, according to appropriate historical dates.

8. Amendments on the company's articles of association, or its nature.

9. Any material transactions concerning selling of company's assets, through extraordinary financial transactions.

10. Financial analysis reports prepared by an independent consultancy firms, and reports prepared by rating agencies in case of availability.

11. Management remarks and analysis concerning the financial and non-financial information.

12. Reports on potential risks the company may face.

13. Names of the Board of Directors, the executive management, and the Sharia Board members.

14. Name of the external auditor/auditors, and name of the supervisory authority that license and regulates the company's operations in the State of Kuwait or abroad.

15. Board of the Directors structure, and identify its members in terms of executive Board member, or non-executive Board member, or independent Board member.

16. Qualifications and experiences of the company's Board of Directors and its executive management members, where such qualifications should be in accordance with the Authority's Regulations concerning the regulations of competency and integrity for nominating the Board of Directors and the executive management members. In addition to the compliance level of attending the company's Board of Directors meetings or Board of Directors meetings for other companies.

17. Key performance indicators (KPIs) and the evaluation mechanism set for each Board of Directors and the executive management members.

18. Brief description of the Board main committees' authorities, and the tasks/duties assigned to them, specifying the names of such committees, their heads, members and the frequency of their meetings.

19. The governance system approved by the Board of Directors , and the allocation of powers and tasks among the executive management and the Board of Directors, and the reports prepared by the governance committee concerning the governance requirements.

20. Mutual transactions and interests between the company and the related parties.

It should be taken into consideration that the company's website should include all the above mentioned data and information, and any other data or information disclosed by any other means, so that the company's website is considered the main electronic source for the company's information.

Principle (3/7) The Board of Directors should manage the disclosure requirements related to the Board of Directors and the executive management members.

Application Methodology:

The company should set out a special register concerning the disclosures of the Board of Directors and the executive management members, provided that this register is available for the company's shareholders to view. All of the company's shareholders have the right to access the mentioned register without any fees or charge, and the company should update the data of such register in a periodical manner, in order to reflect the real status of all related parties.

The company has to establish a unit to regulate investor's affairs. This unit shall be responsible for providing the necessary data, information and reports for potential investors. Investors' affairs unit should be fully independent in order to provide the data, information, reports in a timely and accurate manner, through known disclosure means such as the company's website.

Principle (4/7) The company should disclose in a detailed and accurate manner about the remunerations granted to the Board of Directors and the executive management members, either in the form of cash, benefits or privileges.

Application Methodology:

The company should disclose in a detailed and accurate manner the remunerations granted to the Board of Directors and the executive management members, either in the form of cash, or benefits or privileges. Such disclosures should be included in the report prepared by the remunerations committee. The company has to apply accuracy and transparency standards in the process of preparing such report, where all remunerations whether direct or indirect should be fully disclosed with avoiding any attempt to hide or mislead.

In this regard, we would like to mention that the special register concerning the Board of Directors and the executive management members' disclosures should cover all the data related to remunerations, salaries, incentives and any other financial benefits granted to the Board of Directors and the executive management members.

The following represent the main information that should be disclosed, as a minimum:

1. The bonuses and incentives system applied by the company, particularly those related to the Board of Directors and the executive management members.
2. Details of the remunerations granted to the Board of Directors and the executive management members, including cash, benefits and privileges, and the analysis of the remunerations tranches which are represented as follows:

a. Fixed remunerations tranche, represented in wages and basic salaries.
b. Performance based remunerations tranche, represented in incentives, or stock options, or any other forms.
c. End of services remuneration tranche.

3. Values of remunerations granted to the Board of Directors members, whether in the form of cash, benefits or privileges (as a lump sum).

4. Values of the remunerations granted to the chief executive officer and senior executives, who received the highest amounts from the company, in addition to the chief financial officer or similar if not included.

5. Any other remunerations granted by the company directly or indirectly, or through any of its affiliates, or associated companies.

6. Any material deviations from the remunerations policy approved by the Board of Directors.

Principle (5/7) The company should develop and enhance information technology infrastructure, and rely on it in the disclosure process.

Application Methodology:

The company should heavily rely on the use of information technology, in order to communicate with the shareholders, investors and stakeholders This will be achieved through establishing a dedicated section on the company's website for the corporate governance, where all latest information and data are presented for shareholders, current and potential investors, in order to assist them in practicing their rights and evaluate the company's performance.

Rule No.8 Respect the Rights of Shareholders

The shareholders primary objective is to increase the value of their investments and contributions, realize a good return from such investments, and receive assurance that the company's management is not exploiting their invested funds, and that the management are striving to maximize profits. On the other hand, the company's management seeks to enhance its competitive advantage, and realize high growth rates. Such conflict between the objectives of the shareholders and those of the company's management may lead to misuse of shareholders rights. The implementation of governance regulations will act as the means of guaranteeing harmony for both the shareholders objectives and company's objectives, and enhances shareholders confidence in the efficiency of the system set in place for protecting their rights.

Variation in the structure of shareholders, which is composed of different groups of individuals and corporations of different interests, objectives and capabilities, may result in a difficulty for shareholders to fulfill their responsibility towards managing the company's activities. This responsibility falls under both the Board of Directors and the management team. Therefore, the rights of shareholders are focused on a group of fundamental issues and duties/tasks such as electing the Board of Directors' members, formation of the Board, amending the company's articles of association, approving extraordinary transactions, and other fundamental tasks specified in the companies Law and its Executive Bylaw, as well as the company's articles of association.

A sound governance system guarantees shareholders to practice their fundamental rights with a great deal of fairness and equality, which in turn safeguards equal treatment for all shareholders and provides protection against the abuse of their rights. In addition, it provides protection to the shareholders capital from any abuse that may take place by the company's managers, its Board of Directors' members or major shareholders.

Principle (1/8) The company should identify shareholders general rights, in order to guarantee fairness and equality among all shareholders regardless of their categories.

Application Methodology:

The company's articles of association and its internal bylaws should include the procedures and controls necessary for guaranteeing that all shareholders practice their rights in a fair and equal manner, without contradiction with the applicable laws and bylaws, and the resolutions and regulations issued in this regard. The following represents general rights of shareholders:

- Listing the ownership value of their investment participation in the company's registers.
- The right to manage shares, in the form of listing, or transferring ownership.
- The right to a share of the distributable profits.
- The right to a share of the company's assets upon liquidation.
- The right to access data and information relevant to the company's activities, its operational and investment strategy in a regular manner.
- Participating in the general assembly's meetings of the shareholders and voting on its resolutions/decisions.
- Electing the Board of Directors members.
- Supervising the company's performance in general and the Board of Directors operations specifically.
- The right to questioning and file responsibility claims against the Board of Directors or the executive management members, in case of their failure to perform the tasks assigned to them.

The company should treat all shareholders who hold the same type of shares equally and without any discrimination. The company should not prevent any shareholder category of the above mentioned rights, or set discriminating criteria between shareholders categories, so not to affect the company's interests or infringement with the law and its executive bylaws and any issued regulations or regulatory instructions.

Principle (2/8) The company should ensure accuracy and ongoing monitoring of the shareholder's information

Application Methodology:

For the purposes of on-going monitoring of shareholders data, the company has to:

1. Hold an accurate and updated (shareholders' register) specifying the ownership of shares, which includes the names of shareholder, their nationalities, their ID numbers, the number of shares they hold, its category, the paid-up amount of each share, and their contact number. In addition to the above, the company should establish a special register housed at the clearing house, where information such as names of shareholders, their nationalities, their country of residence, and the number of shares they hold are recorded in it. The company's register should be updated with any changes that take place in the data of the special register housed at the clearing house.
2. Hold a special register for bonds and sukuk which requires the recording of the names of shareholders, their nationalities, their country of residence, the number of bonds and sukuk held

by each shareholder, the category and amount paid for each bond or sukuk. In addition to the above, the company should establish a special register with the clearing house, where information such as the names of holders of bonds or sukuks, their nationalities, their country of residence, the number and type of bonds or sukuk held by each shareholder, and the paid-up amount of such bonds or sukuk. This register should be updated to reflect any changes on the recorded data, and to any new data the company or the clearing house receives. The company should allow its shareholders access to the shareholders register, and handle the recorded data with the maximum degree of protection and confidentiality, without infringement to the Law and its Executive Bylaw, and any regulations or regulatory instructions issued in this regard.

Principle (3/8) The company should strive to encourage shareholders to participate and vote in the company's general assembly meetings.

Application Methodology:

The shareholders right to participate in the general assembly meetings of the company is a fundamental right for all shareholders regardless of their category, as follows:

First: Mechanism of participation in the shareholders' general assembly:

The general assembly based on an invitation request from the Board of Directors will call the shareholders for a meeting to be held within three months after the end of company's financial year in the time and place set by the company. The Board of Directors may request this assembly to convene whenever deemed necessary. The Board of Directors is also required to call for the assembly to convene a meeting based on a request from a number of shareholders who hold not less than ten percent of the company's capital, or based on the request of the external auditor, within fifteen days from the date of the request.

The company should conduct the following when organizing general assembly meetings for shareholders:

1. Direct an invitation to investors to attend the general assembly meeting, along with the agenda, time, and location of the meeting attached to it. Such invitation should be transmitted through a public add twice or any other form of modern communication means specified in the Executive Bylaw of the companies Law, while taking into considerations the requirements set for the nomination of a membership position in the Board of Directors .

2. Ensure that every shareholder has the right to grant a written authorization to another shareholder, who is not a Board member or part of the company's staff, to attend the general assembly meeting on his/her behalf.
3. Prepare an explanatory memorandum that includes details of every amended topic in the agenda of the general assembly (to be attached to the agenda), and state the reason for such amendments on the agenda, provided that this memorandum is published on the company's website upon calling for a general assembly meeting. The company should note in its public advertisement in the newspapers (advertisement concerning the invitation to hold a general assembly meeting) that the memorandum mentioned above is available on the company website.
4. A detailed statement of shareholders rights should be attached along with the general assembly and unforeseen assembly agendas.
5. The general assembly agenda should include topics that inform the shareholders with the following as a minimum:

- Board of Directors' report on the company's activities, its financial position and the results of its operations.
- External auditor’s report on the company’s financial year results.
- Discussion of the external auditor’s report on the company’s financial statements results, approval of the financial statement, and approval of the distributable net profits.
- Transactions with stakeholders.
- Any violations identified by the supervisory authority/authorities, and any penalties issued as a result of such violations, which resulted in penalties (financial or non-financial) on company. Such topics should not conflict with the applicable laws, and the regulatory controls issued by the supervisory authority/authorities. In addition to discussion of such issues with the representative of the supervisory authority in case of his/her attendance to such meetings.

6. To allow shareholders to effectively participate in the general assembly meetings, discuss the agenda topics and the relevant inquiries on the company’s different activities. Such questions should be directed to the Board of Directors' members and the external auditor, where both the Board of Directors and the external auditor should answer the inquiries in a manner that shall not harm the company’s interests.

7. To allow shareholders who hold more than 5% of the company capital to add topics to the general assembly agenda.

8. Ensure that the Board of Directors reports submitted to the general assembly includes all the information and data covered in the special register of the Board of Directors' members and the executive management disclosures.

9. The topics presented to the general assembly should be accompanied by enough information that enables shareholders to take their decisions in an appropriate way.

Second: Concerning the voting mechanisms in shareholders general assemblies:

The company has to provide all shareholders the chance to practice their right to vote, without placing any obstacles that may lead to voting restrictions. The voting right is considered an essential shareholder right, and may not be disregarded. The company has to ensure the practice of all members to this right, mainly through the following:

1. Shareholders should have voting rights, and should be treated equally by the company.
2. Shareholders may vote in person or through a representative, where the same rights and duties/tasks will be granted in both cases (weather in person or through a representative).
3. Shareholders have to be informed of all the standards that govern the voting process.
4. Making available to current shareholders and potential investors all information related to voting rights, and maintain the availability of such information to all categories of shareholders going forward.
5. All shareholders categories holding the same type of shares should have the right to vote on any changes related to shareholders rights. This should be done through calling for a meeting of the shareholders general assembly.
6. Voting on the selection of the Board members in the general assembly through the mechanisms stipulated in the companies article of association and in line with what has been stated in the companies Law and its Executive Bylaw, also taking into consideration what is stated in the companies Law with regards to permitting the adoption of a cumulative voting system, considering that such actions are considered to be a sign of best practice of governance. In addition to the above, there should be a mechanism that provides a brief introduction on the candidates for a membership position in the Board of Directors prior to conducting the vote, which provides the shareholder a clear sense of the nominees' professional, technical, experience, and educational qualifications as well as to their other qualifications.
7. To provide all shareholder categories the chance to question the Board of Directors on the duties/tasks assigned to them.
8. No charges shall be imposed on the attendance of any of the shareholders categories to the general assembly meetings and no preferential privileges shall be granted to any shareholder over the other.

Rule No.9 Recognize the Legitimate Interests of Stakeholders

The rights/claims of stakeholders should be respected and protected in accordance with the applied related laws in the state of Kuwait such as the labor law, the companies' Law and its Executive Bylaw, in addition to the binding contracts between parties, and any additional commitments the company makes with the stakeholders. The protection of stakeholders' rights under the laws will allow them to receive actual compensations in case of any violation to their rights/claims

In this regard, the scope of practicing corporate governance should recognize the rights/claims of the stakeholders, and should strive to encourage the cooperation between the company and the stakeholders in many fields. The participations of stakeholders represent a very important source for building the company's competitive advantage and enhance its profitability levels.

Principle (1/9) The company should set the systems and policies that guarantee the protection of the stakeholders' rights.

Application Methodology:

The company should establish a policy that includes the sufficient rules and procedures that ensure the protection and recognition of the stakeholders' rights, and allow them to receive compensation in case any of their rights are violated, in accordance with the provisions of the applicable laws in this regard. The policy prepared by the company should, as a minimum, include the following:

1. Provide assurance that dealings with the Board of Directors members and related parties is subject to the same terms and conditions the company applies when dealing with the different parties of stakeholders without any discrimination or preferential treatment.
2. Procedures to be applied in case any of the parties violates his/her commitments, as well as the procedures for paying compensations. The company has to ensure that the contracts between the stakeholders and the company clearly state in a detailed manner such procedures.
3. Mechanisms of compensating the stakeholders in case of violations of their rights, as protected by the contracts and recognized by the systems.
4. Mechanisms explaining how the company establishes a good relationship with clients and suppliers, and how to maintain the confidentiality with regards to their information.
5. Mechanisms for settlement of complaints or conflicts that may arise between the company and the stakeholders.

In order to prevent conflict between the stakeholders' interests (weather transactions or contracts with the company) with the company's shareholders interest, the following should be taken into consideration:

- None of the stakeholders shall have any privilege through his/her dealings in any of the contracts and transactions that fall under the company's regular activities.
- The company should establish internal policies and regulations that guarantee a clear mechanism for awarding contracts and transactions of different types, through different tenders' offers and purchase orders, provided such a mechanism is disclosed in full details.

Principle (2/9) The company should encourage stakeholders to participate in following up on the company's different activities.

Application Methodology:

The company should establish mechanisms and frameworks that guarantee the maximum benefit from the participation of the stakeholders, and influence their participation in the follow up of the company's activities, in a manner that fits the realization of its interests to the fullest. The company should do the following as a minimum:

1. The stakeholders should be allowed to obtain information and data related to their activities with the company, to be relied on and used when deemed necessary on a regular basis.
2. To set appropriate mechanisms for facilitating the reporting from stakeholders to the Board of Directors of any improper practices they encounter from the company, along with providing appropriate level of protection to the whistleblowers.

Rule No.10 Encourage Enhanced Performance

The continuous training and rehabilitation of the Board of Directors and the executive management members is considered one of the main pillars of sound governance, as it contributes in the enhancement of the company's performance, where the Board of Directors and the executive management members practice the duties/tasks and responsibilities assigned to them to fullest.

In this regard, the continuous training and rehabilitation provides the Board of Directors and the executive management members with the appropriate understanding and knowledge of all matters relevant to the company's activities, where they will be aware of the latest developments concerning relevant financial, managerial and economic matters. In addition to the ability for strategic planning, in accordance with the company's needs and therefore achieve its objectives.

Principle (1/10) The company should set out the mechanism that provide both the Board of Directors and the executive management members access to training programs and courses on an ongoing basis.

Application Methodology:

The company has to establish the mechanisms that focus on areas of training for the Board of Directors and executive management members, through performing the following:

1. Set out orientation programs for the newly appointed members, in order to ensure that they maintain an appropriate understanding of the company's work flow and its operations. Such programs should include the following as a minimum:

- Company's strategy and objectives.
- Financial and operational aspects of all company's activities.
- Legal and supervisory provisions of the company.
- The assigned responsibilities and tasks, in addition to their powers and rights.
- Role of the committees formed by the Board of Directors.

2. Adopt appropriate training programs for both the Board of Directors and the executive management members, provided that such programs are specialized programs in the administrative/managerial and financial fields, in order to develop their skills and experience, specifically in the field of governance and risk management, and to make sure that the Board of Directors and the executive management members are aware of the latest developments in the administrative/managerial and financial fields.

Principle (2/10) The company should set the systems and mechanism that evaluate the performance of the Board of Directors as a whole, and the performance of each of the Board of Directors and the executive management members.

Application Methodology:

The company has to establish systems and mechanisms that evaluate the performance of both the Board of Directors and the executive management members on a regular basis. This can be done through setting out a group of Key Performance Indicators ("KPIs")which are connected with the achievement level of the company's objectives, efficiency of risk management, adequacy of the internal control systems, provided that such Key Performance Indicators are written in a clear and transparent manner, and disclosed to all staff.

The company has to set key performance indicators for evaluating the performance of the Board of Directors in general, and the contribution of each Board member and committees. In addition to evaluating the performance of the executive Directors on regular basis (annually), as well as identifying areas of weaknesses and strengths, and how to tackle them for the company's interest. The following represent examples for Key Performance Indicators:

First : Qualitative Indicators :

- What is the degree of deviation between the company's projected budget and the actual achieved numbers?
- What is the progress level towards achieving the required objectives?
- What is degree of resolving the observations identified by the supervisory entities?
- What is the extent of realizing problems, and the ability to tackle them?
- What is the employees' turnover rate, to measure employees' loyalty to the company?
- What are the training courses, and the degree of their relevance to the nature of work?

Second : Quantitative Indicators :

- Return on average assets.
- Return on average shareholders equities.
- Net profit margin.

Principe (3/10) The Board of Directors should ensure, on an ongoing basis, the importance of corporate values creation among company's staff through continuous efforts in achieving the company's strategic objectives, enhancing Key Performance Indicators, and compliance with laws and regulations, specifically corporate governance regulations.

Application Methodology:

The Board of Directors should strive to create values inside the company for the short, medium and long term, through the creation of mechanisms and procedures that achieve the company's strategy and enhance performance indicators. This shall effectively contribute in creating corporate values among employees, and motivate them for maintaining the company's financial integrity on an ongoing basis.

In this regard, it is worth to mention that the Integrated Reports System is considered as one of the most effective means for achieving the company's strategic objectives, and creating corporate values. Therefore the company should strive to continuously develop and enhance the integrated internal reporting systems in place, so such reports become more comprehensive. This shall assist the Board of Directors and the executive management members to make decisions in a systematic and sound manner, and therefore achieve shareholders' interests.

The following represent the main features of the Integrated Reports:

1. **Focus on the strategy:** The report should cover the strategic objectives that the company is seeking to achieve, and the adopted procedures and policies applied by the company to achieve such objectives. In addition to a mechanism that links the company's capability of achieving its objectives with the creation of corporate value and maintaining them within the company.
2. **Overview of the company's structure and the business model :** The report should present the business model applied by the company for conducting its operations, and the external factors affecting the soundness of the company's financial position. In addition to the company's efforts in creating corporate values and maintaining them in the short, medium and long term.
3. **Risks facing the company:** The report should present the company's activities and the risks surrounding them. In addition to identifying the performance rates and how they are measured, as well as the available opportunities for the company to expand its scope of operations and maximize its profits.
4. **Projection and overview:** The report should include the management expectations for company's activities, and assess the difficulties it faces. In addition to identifying high risk activities in order to prioritize their review, and identify opportunities, challenges, as well as the doubts facing the company to achieve its strategic objectives.
5. **Brevity, precision and materialism in the presentation of information:** The information and data presented in the report should be of a high degree of integrity and consistency, and characterized by accuracy, briefness, materiality, and importance, in order to facilitate the decisions making process in an appropriate manner by the executive management or any decision maker.
6. **Periodicity of reports:** Reports should be periodical, and linked to the company's business cycle, where such reports should be updated by the latest developments and information, and prepared according to time frames that serve short, medium and long terms.

Rule No.11 Importance of Social Responsibility

The social responsibility concept is reflected in the company's continuous compliance to act in a moral manner, and contributing in achieving the society's sustainable development in general, and for the company's staff specifically. This can be achieved through developing the living, social and economic conditions of the staff and their families, in addition to the society as a whole, and participating in decreasing the level of unemployment in the society, as well as the ideal utilization of its available resources.

Based on this, the success and growth of companies specifically, and the financial sector in general can be linked to the level of which the company realize the social responsibility, relevant to humanitarian values and standards, such as solidarity, and responsibility toward anything related to the company, whether it is a shareholder, an employee, or an individual in the society, or a stakeholder or any related party. Therefore, whenever the company increases its understanding of this process it will be positively reflected on the company's development and progress process which will increase its profitability and its sound reputation.

Social responsibility in business relies on:

- The company's continuous compliance to act in a moral manner, in accordance with laws and general norms.
- Sustainable participation to achieve economic and social development through the following:

a. Attraction of national labor.
b. Improving the living conditions of labor and their families, the local community, and the whole society.
c. Allocating a percentage of the achieved profits for social services and projects, provided that this allocation matches the nature and volume of the company's activities, and the achieved profits.

Principle (1/11) The Company should set out the mechanisms that assure a balanced realization of both the company's and society's objectives.

Application Methodology:

The company should set out a policy that assures a balanced achievement of both the company's and society's objectives. Such policy should work on the development of the living, social and economic conditions of the society in which the company practices its activities on different levels, including the following as a minimum:

1. Assist in providing work opportunities, and creating appropriate conditions for the labors.
2. Support and encourage national labor, increasing their efficiency and competitiveness.
3. Support small projects, and opening new horizons that serve different categories of the society.
4. Design the company's activities in accordance with the economic and cultural status of the community.
5. Protecting environment against pollution and other environmental damages.
6. Provide training courses for developing the capabilities of targeted categories in the society.
7. Contribute in the limitation of negative conditions spread in the society.
8. Conduct voluntary charity initiatives.

Principle (2/22) The company should set out programs and mechanisms that help highlight the company's efforts in the field of social work.

Application Methodology:

The Board of Directors should set out specific mechanisms and clear programs that highlight the company's role in the field of social work, including, but not limited to, the following:

- The company should set out indicators that link the company's performance with the achieved social responsibilities on the level of stakeholders or other society's categories. In addition to comparing such performance with other companies of similar activities, which will ensure the appropriate development of the business plan set by the company.
- Set out a disclosure plan that covers the company's social responsibility objectives, where such plans should be disclosed in the periodic reports relevant to the company's activities.
- Set out awareness and education programs to ensure that the company employees fully understand the company’s social responsibility objectives, on an ongoing basis, which will contribute in the enhancement of the company's performance.
- Set out awareness programs for the society concerning company's social responsibility. Such programs should be in line with clear business mechanisms that highlight areas in which the company contributes in its social developments and enhancement as, living, social, and economic conditions.

Chapter Four

Regulatory Requirements

Regulatory Requirements:

1. The company should provide the Authority – Supervision Sector, corporate governance department – on periodical basis (quarterly) with proof of implementing the requirements stipulated in the corporate governance regulations issued by the Capital Markets Authority, in addition to the organizational structure approved by the company Board of Directors. The company should comply with the content of such regulation maximum by 31st of December 2014, taking into consideration that the company should immediately apply any principle or requirement stated in this regulation which is mandated by a legislative power, whether it is pursuant to the law and its executive bylaws or pursuant to the companies Law and its Executive Bylaw.

1. The Capital Markets Authority is entitled to request companies to provide any additional information or data it deemed necessary for ensuring the level of company compliance with all the requirements and provisions stipulated in these regulations.

Non-Compliance:

Non - compliance with these regulations shall expose the violator to legal accountability pursuant to the Law No. 7 of 2010 concerning establishing Capital Markets Authority and Regulating Securities' Activity and its Executive Bylaw.

Entry into Force:

These regulations shall enter into force as of the date of its issuance by a resolution from the Capital Markets Authority.

Issued on: 27 / 6 / 2013

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