



# Governance Report

## Kuwait Pillars for Financial Investment

K.S.C. Closed

For the fiscal year ending on 31 December 2021

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## Board of Directors & Board Secretary



**Mr. Ghazi Ahmed Al-Oseimi**  
Chairman



**Mr. Mishal Naser Habib**  
Vice Chairman & CEO



**Mr. Soud Abulaziz Al-Mansour**  
Board Member



**Mr. Jamal Abdullah Al-Saleem**  
Board Member



**Mr. Bandar Abdullah Al-Ghemlas**  
Board Member



**Mr. Mohamad Saad Al-Saad**  
Board Member



**Mr. Mohamad Al-Sayed Taha**  
Board Secretary

## Executive Management Members



Mr. Mishal Naser Habib  
Vice Chairman & CEO



Mr. Raed Ibrahim Al-Sadhan  
Executive Vice President  
Administration & HR



Mr. Ahmed Mohamed Sobhy  
Executive Vice President  
Finance



Mr. Essam Abdulrahman Al-Youssef  
Executive Vice President  
Compliance



Mr. Abdulaziz Jassem Al-Jassem  
Senior Vice President  
Business Development & Private Equity



Mr. Fahed Mohamad Al-Osaimi  
Vice President  
Local & Regional Investments



Mr. Sohail Jaber  
Vice President  
Risk Management



Mr. Ahmed Azmi Saleh  
Vice President  
International Investments

## **Chairman Message**

Dear KPFI shareholders,

I am pleased to present to you the annual corporate governance report for the year 2021.

In the light of the growing concern of our shareholders, including potential shareholders and investors, Kuwait Pillars decided to strengthen its corporate governance system in line with the finest local and international practices in this area. In this regard, Kuwait Pillars planned to strengthen the role of independent Board members and adopted sophisticated and distinguished work ethics in its sector as well as creating new regulatory laws and applying the delegation of authority system and integrate the role of the board of directors and committees at the heart of our business.

In this regard, we support the need for strict adherence to principles that help establish the concept of transparency, accountability, integrity and ethics and honesty in our business which form without a doubt the cornerstone of any successful organization. Precisely for this reason comes our promise to ourselves and our investors and all our stakeholders to uphold the highest standards of probity and integrity in the management of the company.

The annual corporate governance report as a whole confirms our commitment to always providing the best value for our shareholders. This stems from our recognition as a closed joint stock company that the sustainability of good corporate governance practices has become an ethical and economic imperative in the modern world of business development.

We also are looking to achieve the desired objectives to improve existing practices and procedures in addition to implement developed governance framework for Kuwait Pillars and its affiliates so we can take a prestigious position in our business areas and thus achieve the vision of our shareholders.

Finally, we would like to take this opportunity to thank all the authorities and regulators that have contributed to better support the principles and practices of corporate governance and their implementation in State of Kuwait.

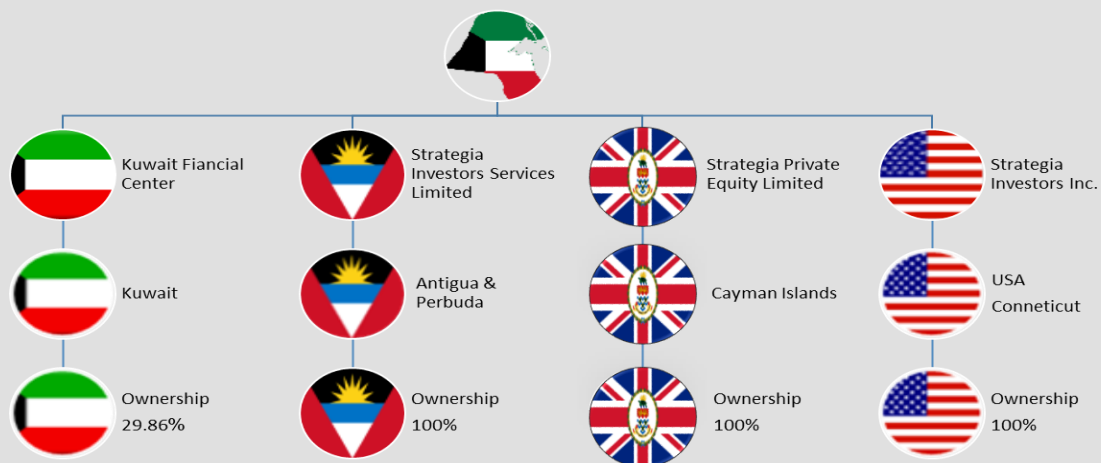
**Ghazi Al-Osaimi**

**Chairman**

## Major Shareholders of Kuwait Pillars that own 5% and more

	Major Shareholders	Ownership Percentage
1	National Industries Group Holding	6.42%

## KPFI and its subsidiaries & associates



Percentage referred to as statements of 31/12/2021

## Rule 1: Construct a balanced board composition

### Brief on the composition of the Board of Directors, as follows:

The Board of Directors consists of executive, non-executive and independent members who are elected through the General Assembly and the Board of Directors includes a sufficient number of members to form committees within the framework of corporate governance.

The Board of Directors consists of six elected members, and the election and renewal of the membership of Board of Directors members takes place every three years in accordance with the rules and regulations in force and the instructions issued by the Capital Markets Authority and other supervisory bodies.

Name	Member Classification (Executive, Non-Executive, Independent) Board Secretary	Qualifications & Professional Experience	Date of Election/ Appointment of Board Secretary
Ghazi Ahmed Al-Osaimi	Chairman Non-executive	BA in Business Administration – Finance / Gulf University for Science and Technology - Jan 2007	5 May 2020
Mishal Nasser Habib	Vice Chairman & CEO Executive	BA in Accounting / Kuwait University 1996 - Computer science Diploma / Commercial Institute “Public Authority for Applied Sciences” - 1992	5 May 2020
Soud Abdulaziz Al-Mansour	Board Member Independent	BA in General Administration & Finance-California - USA/ 2000	5 May 2020
Mohammad Saad Al-Saad	Board Member Non-executive	Bachelor of Business Administration/ Finance & Financial Institutions - Kuwait University 2005	5 May 2020
Jamal Abdullah Al-Saleem	Board Member Non-executive	BA in Accounting - Kuwait University- Master's degree in Accounting with first class honors - Oklahoma City University USA - 1987	5 May 2020
Bandar Abdullah Al-Ghemlas	Board Member Non-executive	Bachelor of Business Administration/ Finance & Financial Institutions - Kuwait University 2003 Master's degree in Business Administration / Financial Management - American University of the Middle East - 2011	5 May 2020
Mohamed El-Sayed Taha	Board Secretary	Bachelor of Arts- English Literature- Mansoura University- Egypt -1998	Appointed 11 March 2014

### **Brief on the Company's Board of Directors' meetings, through the following statement:**

Meetings of the Board of Directors are held with a full quorum and the attendance by majority of the members. The members of the board of directors were keen to carry out the duties of leadership and responsibility through extensive meetings to supervise the management of the company in various fields and work on the proper utilization of the company's human and financial resources. The board held 12 meetings during the past year, while the articles of association states to meet at least 6 times. Details of the meetings are as follows:

The Board of Directors members were elected for a period of three years based on the decision of the General Assembly Meeting held on May 5, 2020.

Statement of Board meetings			Board of Directors Members					
Serial	Meeting Number	Date of Meeting	Ghazi Al-Osaimi Chairman	Mishal Habib Vice Chairman	Jamal Al-Saleem Member	Mohammad Al-Saad Member	Soud Al-Mansour Member	Bandar Al-Ghemlas Member
1	169	17/01/2021	✓	✓	✓	✓	✓	✓
2	170	17/02/2021	✓	✓	✓	✓	✓	✓
3	171	12/04/2021	✓	✓	✓	✓	✓	✓
4	172	18/04/2021	✓	✓	✓	✓	✓	✓
5	173	09/05/2021	✓	✓	✓	✓	✓	✓
6	174	27/06/2021	✓	✓	✓	✓	✓	✓
7	175	11/08/2021	✓	✓	✓	✓	✓	✓
8	176	26/08/2021	✓	✓	✓	✓	✓	✓
9	177	21/09/2021	✓	✓	✓	✓	✓	✓
10	178	07/11/2021	✓	✓	✓	✓	✓	✓
11	179	09/11/2021	✓	✓	✓	✓	✓	✓
12	180	19/12/2021	✓	✓	✓	✓	✓	✓
Attendance Percentage			100%	100%	100%	100%	100%	100%

### **A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.**

All meeting minutes are recorded through the Board Secretary, who in turn prepares all meeting related matters, communicates with all members, and coordinates with them for all meetings. It also provides board members with immediate and quick access to board meeting minutes, information's, documents and records that help them make the right decisions in a timely and appropriate format.

### **A declaration by the independent member that it fulfills the criteria for independence,**

The independent member acknowledges that he has the controls for independence, which are as follows:

- He is not a personal owner of a number of the company's shares representing more than 5% of the company's shares.
- He is not a first-degree relative with any of the Board of Directors members or the Executive Management of KPFI or any company of its group or the main related parties.
- He is not a member of any company of its group.
- He is not an employee of legal persons who own controlling shares in the company.
- He is not an employee of the company or of any company of its group or of stakeholders.



## **Rule 2: Establish appropriate roles & responsibilities**

**Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management.**

The company has a policy to define the duties, responsibilities and powers of the board of directors, which defines the powers that members of the board of directors perform and the powers that have been granted or delegated to the executive management to carry out, where a matrix of financial and administrative authorities has been approved for all levels of the executive body and the board of directors and the separation between them in contradiction with the tasks of each person who has authority or authorization in the members of the executive body, as the system defines dual control over the powers and there is no absolute authority or authorization for any person of board of directors members or the executive body.

### **Achievements of the Board of Directors during year 2021**

- Approve the meetings minutes of the committees emanating from the Board of Directors.
- Discuss and approval of Risk Management Reports, Compliance Reports and Anti-Money Laundering and Terrorism Financing Reports.
- Discuss the annual work plan for 2021 & 2022.
- Discuss the annual budget for the year 2021 & 2022.
- Discuss the approval of the quarterly and annual financial statements.
- Discuss the latest update on the cases from /against the company.
- Review the agenda of the Ordinary General Assembly for the fiscal year ending December 31, 2020, and invite to the Assembly Meeting.
- Discuss and approve updates on the company's policies and procedures.
- Discuss and approval of 2020 ICR report.
- Discuss the annual report prepared by the external auditor for the year 2020 regarding the assessment of the extent of Kuwait Pillars' compliance with all the determinants and legislative requirements contained in the Anti-Money Laundering and Terrorism Financing Law, as well as the instructions issued by Capital Markets Authority in this regard.
- Discuss and approve the annual report of the custodian's activity.
- Discuss the governance report according to the form prepared by the Capital Markets Authority (CG online report).
- Discuss the appointment of a Vice President – International Investments Department.
- Discuss and approve the policies and procedures manual for the capital adequacy standard.
- Review and discuss the credit facilities granted to companies and take the necessary decisions in this regard.
- Discuss the renewal of the credit facilities provided by Burgan Bank.
- Discuss and approve the assessment of risk and anti-money laundering procedures.
- Discuss the company's issued and paid-up capital increase.

## **Brief about the application of the formation requirements of independent specialized committees by the Board of Directors.**

The Board of Directors has approved the formation of its committees in order to enhance the effective supervision and control of all its operations and the activities of the company to ensure best practices. The following is an overview of those committees:

### **Audit Committee**

The Audit Committee consists of (3) members, including at least one independent member, and its membership is not occupied by the Chairman or the Executive Board members. It was formed on 06/05/2020 for a period of three years. The audit committee shall also hold periodic meetings with the external auditors and at least four meetings annually with the internal auditor.

### **The tasks and achievements of the audit committee during the year 2021**

- Discuss the appointment of an external office to carry the audit during the year 2021.
- Discuss the 2021 audit plan.
- Recommendation to the Board of Directors to approve the annual and quarterly financial statements.
- Discuss the appointment of an audit firm to carry out the evaluation and review of internal control systems (ICR) for the fiscal year ending December 31, 2020.
- Discuss the internal audit report on the procedures and internal control systems for the year 2020.
- Recommend the appointment of the external auditor for the year 2021.
- Review and approve the ICR Report for the year 2020.
- Discuss and approve internal audit reports for all company's departments.

### **Members of the Audit Committee**

<b>Name</b>	<b>Position within the Committee</b>	<b>Membership</b>
Mr. / Jamal Abdullah Al-Saleem	Chairman	Non-Executive
Mr. / Soud Abdulaziz Al-Mansour	Member	Independent
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

### **The number of meetings held by the audit committee during the year 2021**

During the year 2021, the committee held (7) meetings.

## Risk Committee

The Risk Committee consists of (3) members, and its chairman shall be non-executive board members. The Chairman of the Board of Directors may not be a member of the Risk Committee. It was formed on 06/05/2020 for a period of three years. The Risk Committee shall meet periodically during the year (4) times.

### The tasks and achievements of the risk committee during the year 2021

- Review and discuss the risk management action plan for the year 2021.
- Review and approve risk management reports for regulatory authorities.
- Review periodic reports on the company's risks that may be exposed to.
- Discuss and approve the risk register.
- Discuss and approve the risk assessment and anti-money laundering measures.

### Members of the Audit Committee

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

### The number of meetings held by the risk committee during the year 2021

During the year 2021, the committee held (4) meetings.

## Remuneration & Nomination Committee

The Remuneration and Nomination Committee consists of (3) members, including an independent member, and it is chaired by a non-executive member. It was formed on 06/05/2020 for a period of three years. The Remuneration and Nomination Committee holds at least one meeting annually.

### The tasks and achievements of the remuneration & nomination committee during the year 2021

- Discuss the results of the annual evaluation of the company's employees for the year 2020.
- Discuss the annual evaluation of the company's employees for independent positions for the year 2020.
- Discuss bonuses and salary increases for company employees for the year 2020.
- Discuss the remuneration of the members of the committees and the secretary of the committees emanating from the Board of Directors for the year 2020.
- Discuss the CEO reward for the year 2020.
- Prepare a detailed annual report on all remunerations granted to members of the Board of Directors and the Executive Management, whether they are sums, benefits or benefits of whatever nature or name, and presenting it to the general assembly of shareholders for approval.
- Discuss the appointment of Vice President – International Investments Department.

### Members of Remuneration & Nomination Committee

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Ghazi Ahmed Al-Oseimi	Member	Non-Executive
Mr./ Mohammad Saad Al-Saad	Member	Non-Executive

### The number of meetings held by the remuneration & nomination committee during the year 2021

During the year 2021, the committee held (2) meetings.

## Investment Committee

The Investment Committee consists of (3) members and was formed on 06/05/2020 for a period of three years. The Investment Committee holds (4) meetings during the year.

### The tasks and achievements of the investment committee during the year 2021

- Take appropriate corrective measures in order to preserve the company's interests and asset quality.
- Monitor the performance of the company's investment portfolio.
- Review and approve the recommendations made by the Asset Management Department regarding investment operations.

### Members of Remuneration & Nomination Committee

Name	Position within the Committee	Membership
Mr. / Mishal Nasser Habib	Chairman	Executive
Mr. / Mohammad Saad Al-Saad	Member	Non-Executive
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive

### The number of meetings held by the investment committee during the year 2021

During the year 2021, the committee held (5) meetings.

### A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.

The Board members are provided with all information and data by hand or through e-mail and by sending them comprehensive reports for viewing. Communication is done via e-mail and all ways of communication. Through board secretary all documents, minutes of board meetings, and minutes of committee's meetings are kept in files that are easy for the board members to request and to have access to.

### **Rule 3: Recruit highly qualified candidates for members of a board of directors and the Executive Management**

#### **Brief about the application of the formation requirements of the nominations and remunerations committee.**

The Remuneration and Nominations Committee is made up of three members, including an independent member, and none of the executive members occupy its membership. According to the remuneration and nomination committee approved by the company, among the committee's tasks are:

1. Establishing a clear policy for the remuneration of members of the Board of Directors and the Executive Management.
2. Determine the different categories of rewards that will be granted to employees, such as the fixed bonus segment and the variable bonus segment.
3. Reviewing the bonus policy and assessing its effectiveness in achieving its desired goals.
4. Prepare a detailed annual report on all remunerations granted to members of the Board of Directors and the executive management.
5. Recommending the nomination or re-nomination for membership of the Board of Directors and the Executive Management.

#### **Report on the remunerations to the Members of the Board of Directors and Executive Management**

##### **1. Summary of the company's remuneration and incentives policy, in particular what is related to the Board of Directors members, executive management and managers**

###### **a. Board remuneration policy:**

The remuneration policy for directors states the following:

- The total remuneration must not exceed 10% of the net profit of the company after deducting depreciation, reserves and shareholder profits that are not less than 5% of the company's capital.
- Board members' remuneration must be approved by the General Assembly at its annual meeting, based on the recommendation of the Remuneration and Nominations Committee.
- Based on the approval of the general assembly, an independent member of the board of directors can be exempted from the maximum remuneration limit.

According to the company's financial statements for the fiscal year ending on December 31, 2021, the Board of Directors recommended to distribute bonuses for the board of directors' members amounting 168,000 Kuwaiti Dinars (one hundred and sixty-eight thousand Kuwaiti Dinar) for the fiscal year ending on December 31, 2021.

- Members of the committees emanating from the Board of Directors are granted a committee attendance allowance based on the recommendation of the Remuneration and Nomination Committee, the recommendation of the Board of Directors, and the approval of the General Assembly of the company's shareholders.

###### **b. Remuneration and incentives policy for the executive management members and company employees:**

Kuwait Pillars grants several bonuses and incentives to its working employees in accordance with the annual evaluation of the employee, which is carried out according to specific technical and professional standards. These bonuses are allocated in amounts that suit the employee's performance and provide the required motivation and encouragement to continue and raise the level of job performance. The company, through the Nominations and Remuneration Committee, in cooperation with the Administrative Affairs, created and developed plans for short and long-term remuneration that seek to create an attractive business environment and focus on encouraging workers at various job levels in the company.

2. According to the company's financial statements for the year 2021, the remunerations and benefits for the members of the board of directors and senior executives who received the highest remunerations, in addition to the CEO and the financial manager.

Remunerations and benefits for board of directors' members								
Total number of board members	Remunerations & benefits from the parent company				Remunerations & benefits from the subsidiaries companies			
	Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)		Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)	
	Medical Insurance	Others	Yearly Bonuses	Committees allowances	Medical Insurance	Total Monthly Salaries during the year	Yearly Bonuses	Committees allowances
6	0	0	168,000	0	0	0	0	0

The total remunerations and benefits granted to five senior executives who received the highest remunerations, in addition to the CEO and the financial manager

Total number of executive positions	Remunerations & benefits from the parent company								Remunerations & benefits from the subsidiaries companies			
	Fixed remunerations & rewards (K.D)							Variable remunerations & rewards (K.D)	Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)	
	Total Monthly Salaries during the year	Medical Insurance	Annual Tickets	Housing Allowance	Phone Allowance	Children's Education Allowance	Vacations & end of service		Bonuses	Total Monthly Salaries during the year	Others	Bonuses
7	263,846	6,400	6,368	6,000	2,800	17,144	79,305	119,639	0	0	0	0

3. **Fundamental deviations from the remuneration policy approved by the Board of Directors**  
There are no fundamental deviations from the remuneration policy.

## **Rule 4: Safeguard the Integrity of Financial Reporting**

### **Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports**

- The executive management of Kuwait Pillars for Financial Investment undertakes to the Board of Directors of the company that the financial reports are presented in a sound and fair manner, and that they review all the financial aspects of the company in terms of operational data and results, and that they have been prepared in accordance with international accounting standards approved by the Authority.
- The Board of Directors undertakes the integrity of all financial statements as well as reports related to the company's activity and confirms that there are no material issues or events that may affect the continuation of the company's operations during the next financial year.

### **Brief about the application of the formation requirements of the audit committee.**

The Audit Committee is formed of three members and one of its members is independent. Its membership does not include the chairman or executive board members. The members of the audit committee have academic qualifications and practical experience in the accounting and financial fields.

### **Conflicts between the recommendations of the audit committee and the decisions of the board of directors**

No discrepancy has been identified between the audit committee and the decisions of the Board of Directors during the year 2021.

### **Verification of the independence of the external Auditor.**

#### **Deloitte & Touche Al-Wazzan & Co**

- The board of directors submits its recommendations to choose the external auditor to be reviewed with the general assembly to appoint the company's external auditor
- The company's auditor is registered in the auditors' register at the Capital Markets Authority.
- The external auditor is not a partner or a party to any agreement or an agent of one of the founders of the company or a member of the board of directors or any of their relatives up to the fourth degree.
- Selection of the external auditor depends on competence, reputation and experience.

## Rule 5: Apply Sound Systems of Risk Management and Internal Audit

### A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management

An independent risk management department has been established, and those in charge of it have complete independence through their direct subordination to the Risk Management Committee (instead of the Board of Directors according to CMA Resolution No. 124 of 2018 dated September 19, 2018) in addition to having a large amount of powers in order to carry out their duties to the fullest extent without granting them financial powers and authorities or any authorities that lead to a conflict with their supervisory role. The Risk Management Department reviews the deals and transactions proposed to be carried out by the company with related parties, and makes appropriate recommendations regarding them to the Board of Directors.

### A brief overview of the requirements for forming a risk management committee

The Board of Directors has formed a Risk Management Committee of 3 members. It is chaired by a non-executive board member, including an independent member. The committee holds 4 periodic meetings during the year as a minimum. Among the tasks of the risk committee are the following:

- Reviewing risk management systems and internal controls at least once a year to ensure that all risks that may face achieving business objectives are mitigated by applying appropriate and effective controls. The audit should include financial statement controls, operations, risk management, and internal control systems.
- The audit procedures followed by the company's management to identify, assess and manage significant risks.
- Changes that have occurred since the last review in the nature and extent of major risks and the ability of the company to adapt to changes in operations and the external environment. The scope and nature of risk control activities, internal control systems, external audits, reviewing weaknesses and defects of the control system or unexpected emergencies that have affected or may significantly affect the performance of the company's financial position and the procedures followed by the company to address the core issues of control and review the company's compliance with the approved laws and regulations Related to the company.

### Summary clarifying the control and internal audit systems

#### Internal control system

The company's board of directors is responsible for managing risks and internal control systems and reviewing their effectiveness, through preserving assets, keeping correct financial statements, and detecting errors and irregularities. The Board of Directors is obligated to review the report of the Risk Committee on the results of internal control activities and the periodic reports on control activities.

- Internal control includes defining a clear organizational structure, writing down policies and guidelines, defining the powers, authorities, mandates, and performance control mechanisms that have been put in place to effectively and regularly monitor the company's operations and ensure compliance with governance laws issued by all regulatory authorities.

Our Internal Control System is comprised of a group of procedures applied by the board of directors, the executive management, as well as the company's employees. Such procedures are designed to provide reasonable, not ultimate, guarantee for achieving the following objectives:

- **Risk management:** ensure identifying the risks and controls required for achieving the company's objectives.
- **Operations' effectiveness and efficiency:** To conduct operations in a precise way with pre-approved procedures to ensure expected accuracy and smooth customer's service.
- **Authenticity of Financial Reports:** ensure presenting authentic financial statements and information to the board, shareholders and Top Management.



- **Internal audit reports:** Review the internal reporting procedures and determine the integrity of financial position of the company.
- **Audit of internal control systems:** A report is prepared by an independent auditor annually on internal control systems.
- **Adherence to applicable laws and legislations:** adhere to the laws and regulations governing the company, to avoid harming the company's image or receiving penalties.

### **A brief statement on the application of the formation requirements the internal audit department/ office/ unit**

The company has an internal audit department and the department uses an independent professional audit office to carry out the internal audit work. The internal audit officer coordinates and supervises the internal audit processes with the external entity, ensures compliance with policies and procedures, and the adequacy of internal control systems, and coordinates with heads of departments and divisions of the company regarding the audit process and issues reports of exceptions to the management, with recommendations and follow-up with the management.

### **Rule 6: Promote code of conduct & ethical standards**

#### **A summary of the business charter including standards and determinants of code of conduct and ethical standards.**

The Board of Directors, through the code of professional conduct rules and ethics, defines good practices for governance and its work. This includes the means to ensure that these practices are followed, reviewed and regularly updated with a view to improving them.

The Board of Directors takes the lead in defining professional standards and corporate values that enhance the integrity of the company, senior management and employees.

The code of professional conduct and ethics shall be circulated to all employees of the company and to the board of directors' members to obtain their signatures with the instructions stated therein.

#### **Summary of the policies and mechanisms on reducing the conflicts of interest**

Our company has written conflict of interest policies covering all issues related to the subject of conflict of interest and its prospects, including but not limited to:

- Avoid a member of the board of directors from engaging in activities likely to lead to conflicts of interest.
- Board of director's approval of any activity by a member of the board may result in a conflict of interest.

## Rule 7: Ensure Timely and High-Quality Disclosure and Transparency

### Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas and characteristics of disclosure:

The company has set a policy for disclosure and transparency and has been approved by the Board of Directors, and has set standards for disclosure of essential information specified by the executive regulations of the Capital Markets Authority Law, and defined the elements of disclosure and information to be disclosed and the departments responsible for communicating the information. Disclosure thereof in addition to other means represented on the company's website.

### Brief about the disclosure record requirements of Board Members, Executive Management & Managers:

A register of disclosures for members of the Board of Directors, Executive Management and Managers has been prepared at the Compliance Dep. and circulate it to the members of the Board of Directors and the Executive Management to inform the Director of the Department of any transactions for them or their minor children on the shares of the company, the parent company, the subsidiary companies, or the companies that the KPFI is considered as a corporate insiders.

The transactions of the members of the Board of Directors and their first-degree relatives in the shares of the company in 2021 were as follows:

Description	Number	Relation	Total sale (of shares)	Total purchase (of shares)	Date of Operation	Remarks
Board Member	1	Personal	-	23,624 shares	03 November 2021	It was disclosed to the compliance dept. on November 03, 2021
Executive Management	-	-	-	-	-	-
Managers	-	-	-	-	-	-
Employees	-	-	-	-	-	-

Board members and their first-degree relatives did not conduct any dealings in the company's shares during 2021. Thus, we continue our efforts in developing the performance of our services and following a more transparent principle in all aspects of dealing with shareholders and investors.

### A brief statement on the application of the formation requirements of a unit of investor's affairs.

The Investor Affairs Unit has been established to provide the largest amount of information regarding current and potential future investors, and this unit is responsible for establishing and providing the necessary data, information and reports to investors, as the Investor Affairs Unit has the appropriate independence that helps it to provide timely and accurate data and reports.

### Disclosure through IT systems

Through the development of its electronic portal, our company strives to present and disclose all information and data and utilize the means of information technology to communicate with the general public. The company is also aware that the disclosure system is an effective tool to influence the company's behavior and protect the shareholders and enhance their confidence in the company. The company provides its shareholders and investors with accurate, comprehensive, detailed and timely information through the company's website, which reflects transparently all data, organizational structure and control procedures and policies through dissemination of information of annual reports, quarterly reports through the website ([www.kuwaitpillars.com.kw](http://www.kuwaitpillars.com.kw)) in Arabic and English.

The company also maintains a complete record of disclosure and is internally documented and can be accessed sequentially through the company's website.

## **Rule 8: Respect the rights of shareholders**

### **A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders.**

The shareholders have the right to review and participate in the decisions that may affect the future of the company or its activities. The company provides all necessary information to the shareholders in a timely and appropriate manner through advertising in newspapers or through the company official website to allow them to exercise all their rights to the fullest.

### **A summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data.**

The Company has established a register of shareholders deposited with (Kuwait Clearing Company) through which the data relating to shareholders and their ownership is continuously monitored through continuous follow-up in the change of ownership and what arises from it.

### **Brief on how to encourage shareholders to participate and vote in the company's general assembly meetings.**

The management of the company is keen to publish within enough time about the annual general meeting and invites all its shareholders to attend and vote the meetings through the advertising means and announces at sufficient intervals by means of another announcement to remind shareholders to attend the meetings.

## **Rule 9: Recognizing the roles of stakeholders**

### **Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders.**

The company is committed to protecting the rights of all stakeholders and providing stability and sustainability through its good financial performance. The Stakeholder Protection Policy has been formulated and adopted to set guidelines on how to protect these rights. Appropriate mechanisms have also been put in place to facilitate the stakeholders' reporting to the company's board of directors of any improper practices they are exposed to by the company, while providing appropriate protection to the parties who report.

### **Brief on how to encourage stakeholders to keep track of the company's various activities**

Stakeholders have an important and influential role in the success of the company's business. The Board realizes that the ultimate success of the company is the result of the joint efforts of many parties including shareholders, lenders and employees. The company's procedures, approved policies and practices emphasize the importance of respecting the rights of stakeholders in accordance with the relevant laws and regulations and systems. The company is working to encourage stakeholders to participate to follow up on the various activities of the company and has set up mechanisms and frameworks to ensure maximum benefit from the contributions of stakeholders and urge them to participate in the follow-up of its activities, in a manner consistent with achieving its interests to the fullest with providing stakeholders the right to get the information and data related to their activities.

## **Rule 10: Encourage and Enhance Performance**

**A summary of the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly.**

The company has set induction programs for newly appointed members and employees in order to ensure that they have an appropriate understanding of the company's workflow and operations, provided that these programs include the company's strategy, objectives, financial and operational aspects of all the company's activities, the legal and supervisory obligations of the members of the Board of Directors and the company, responsibilities and tasks assigned to them, as well as the powers and rights available to them, and the role of the committees emanating from the Board of Directors. The company also provides training programs and suitable workshops for both the current members of the board of directors and the executive management, related to the company's work, in order to develop their skills and experience and keep abreast of developments in a way that helps them to perform the tasks assigned to them.

**Brief on how to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management.**

Each member submits his self-evaluation to the Board of Directors, and the Nomination and Remuneration Committee is responsible for managing the evaluation process, discussing the results of the performance evaluation, and identifying the strengths or weaknesses that have been identified. The members' needs for training and development are determined in order to increase awareness of the main technical, financial and administrative aspects related to the company's activity.

**An overview of the Board of Director's efforts in asserting the importance of corporate value creation with the employees at the company through achieving the company's strategic goals and improving key performance indicators**

The board of directors is making efforts to create institutional values (value creation) for the company's employees by achieving strategic objectives and improving performance rates.

1. The executive management shall hold regular meetings with all employees, managers and heads of departments in the company to find new ideas and to encourage all employees to communicate with the executive management and the board of directors.
2. The human resources department develops an annual plan to train all employees on an annual basis in order to prepare them for executive and leadership positions in the future.
3. In addition to the technical training programs selected by the departments for their employees.

## **Rule 11: Focus on the Importance of Corporate Social Responsibility**

### **A summary of the development of a policy to ensure a balance between each of the company goals and society goals.**

The Board of Directors has adopted a policy of social responsibility whereby Kuwait Pillars is keen that the company's social responsibility is integrated into the company's daily operations. It seeks coordination and communication between the company and all its functional units, as the commitment towards social responsibility is translated into specific goals and included in the companies' policies and procedures. And, with the emergence of the Corona pandemic, which attacked all countries of the world, the private sector has become in great challenge with the repercussions of this pandemic and its effects on the economic, social and health levels. From this standpoint, the company has taken all preventive procedures and measures to preserve the safety and health of its employees, by conducting work and meetings remotely, avoiding meetings and gatherings, as well as adhering to social distancing, wearing masks, sterilizing hands constantly, and securing everything necessary to adhere to these preventive measures.

### **Brief about the programs and mechanisms helping to highlight the company's efforts exerted in the field of social work.**

#### **Our Human Resources**

The human element is the most important resource of the company, so it is important to keep all the social responsibilities towards it and to develop and apply a strong relationship between the company and its employees. Some of social practices adopted by the company in this frame are:

- Support national workforce.
- Provide an opportunity for fresh graduates to raise their abilities and contribution in society.
- Rewards and incentives for personnel in accordance with the principle of efficiency and trustworthy.
- Raise the morale of employees and spread the spirit of cooperation, motivation and encouragement among them.
- Training and development: the company has launched several courses and training programs aimed to develop the skills of its staff and to expand their knowledge.
- Safety and sound lifestyle.
- Staff members' commitment to work.
- Business diversification.
- Integrity and credibility of business.
- Recruitment and retention.
- The company's commitment to apply the related laws and regulations and executing them fairly with its employees.

#### **Social Initiatives**

In pursuit of company's management on social responsibility, which is one of the most important forms of distinguishing the Kuwaiti economy, which is full of many humanitarian initiatives, and in an effort to continue and be committed to performing the ethical role in accordance with the requirements of laws and public norms, Kuwait Pillars for Financial Investment has contributed to supporting the Kuwaiti Association for Down Syndrome by participating in some educational and rehabilitation activities organized by the association. It is one of the public

benefit societies concerned with people with intellectual disabilities, especially the Down syndrome category, and among its goals is to take care of this group of both sexes and from all age groups to qualify them and develop their mental capabilities as well as their individual and collective skills to be effective elements in the society in which they live.

### **Support of National Workforce**

One of the most important pillars of social responsibility for Kuwait Pillars is the concern for human development, especially for national cadres. During the year 2021, some employees were registered to attend the online course “Anti-Money Laundering and the Financial of Terrorism” at the Seattle International for Training Institute. Some employees were also registered to attend training programs and online lectures organized by Union of Investment Companies and Abdulaziz Hamad Al-Sager Center, as well as attending lectures at The Chartered Institute for Securities & Investment “CISI”, to increase their practical experience to advance to the advanced professional level, which contributes to promote the national economy.

## The External Auditor's Confirmation of the Adequacy of the ICR Systems

Kuwait Pillars has contracted with an external audit office (independent of the company's external auditor) to ensure the integrity of the accounting records and other records and the company's internal control systems.

Which reported the integrity of the internal control and oversight systems for the fiscal year ending on December 31, 2021. The following is the certificate of the External Audit Office on reviewing the internal control systems:



التاريخ: 2022/3/23

المحترمين

السادة/ هيئة اسواق المال

دولة الكويت

### تقرير تقييم ومراجعة نظم الرقابة الداخلية (ICR)

لشركة كويت بيلارز للاستثمار المالي - ش.م.ك مغلقة

للسنة المالية المنتهية في 31 ديسمبر 2021

لقد قمنا بتقييم ومراجعة نظم الرقابة الداخلية لشركة كويت بيلارز للاستثمار المالي - ش.م.ك مغلقة للسنة المالية المنتهية في 31 ديسمبر 2021 ، وقد غطى الفحص البيئة الرقابية العامة للشركة والمطابقة والالتزام بقواعد حوكمة الشركات الصادر من هيئة اسواق المال ، ونظراً لجوانب القصور التي تكمن في أي نظام رقابة داخلية ، فقد تقع اخطاء او مخالفات قد لا يتم اكتشافها او تعقبها. كذلك فان صعوبة تقييم هذه الانظمة لفترات مستقبلية يخضع لمخاطر نظراً لأن معلومات الإدارة وإجراءات الرقابة قد تصبح غير كافية بسبب تغيرات في الظروف او نتيجة تدني درجة الإلتزام بتلك الاجراءات.

تتضمن إجراءات التدقيق الاستفسار من العميل واختبار على اساس العينة للأدلة والمستندات التي تؤيد انظمة الرقابة الداخلية الموضوعية والمطبقة من قبل الإدارة والمطابقة والالتزام بقواعد حوكمة الشركات.

بناء على فحصنا لأنظمة الرقابة الداخلية لشركة كويت بيلارز للاستثمار المالي - ش.م.ك مغلقة ، نرى أن أنظمة الرقابة الداخلية الأساسية والمطابقة والالتزام بقواعد حوكمة الشركات بالشركة قد تم تطبيقها وفقاً لقواعد هيئة اسواق المال والسياسات والإجراءات الخاصة بالشركة ، باستثناء الأمور التي تم توضيحها في هذا التقرير .

  
د. علي عويد رخيص  
مراقب حسابات - 72أ  
عضو في نكسبا الدولية - (إنجلترا)  
مكتب الواحة لتدقيق الحسابات



## **Board of director's confirmation on the adequacy of internal audit control systems**

The Board of Directors of Kuwait Pillars confirms that the company's internal control systems are continuously verified and efficient and that they are comprehensive, monitored and reviewed in a timely manner, within the framework of an organizational structure characterized by transparency and clarity and the limits of responsibility and accountability are monitored. The implementation of approved policies and procedures is monitored through the work the internal audit Dep. that reviews internal controls, duties and responsibilities in addition to the correct use of the powers granted with an emphasis on risk-based audit.

## **Audit Committee's annual report on internal audit procedures for accounts and other records and internal control systems**

We have reviewed the internal auditors' reports for the year ending in 2021, which included auditing procedures, checking accounts and internal control systems for Kuwait Pillars for Financial Investment (KSCC) during the year ending December 31, 2021, under which they covered the examination and audit procedures as follows:

1. Corporate Governance (Board of Directors - Board Committees).
2. Asset Management (Local and Regional Investment - International Investment - Development and Private Equity - Anti Money Laundering).
3. Information Technology Department - Anti Money Laundering.
4. Human Resources and Administration - Anti Money Laundering.
5. Finance and Accounts - Anti Money Laundering.
6. Compliance - Anti Money Laundering.
7. Risk Management.

We have reviewed the reports of the Internal Audit Department on the examination and audit procedures to ensure that Kuwait Pillars complies with the regulatory requirements issued by the Capital Markets Authority and general guidelines issued by Central Bank of Kuwait regarding internal audit and internal control systems.

We would like to refer to our role as members of the audit committee and members of the board of directors, which includes designing, implementing and maintaining audit procedures and internal control systems. Taking into consideration the proportionality of the cost of the elements of these systems with the benefits expected from their application. And that the aim of this clarification is to provide appropriate and reasonable assurances of the adequacy of audit procedures, followed systems, risk management procedures, and compliance procedures to protect the assets and assets of the company that may result from irresponsible actions or uses, that risks are monitored and evaluated and that operations are carried out in accordance with approved and followed procedures of powers and authorizations. And it is recorded correctly.

In our opinion - taking into account - the nature and size of operations during the year ending on December 31, 2021, the accounting records, other records, audit procedures, internal control systems, the level of performance of risk tendency and the supervisory compliance procedures that we have reviewed, reviewed and examined, as well as measures to combat money laundering and terrorist financing, have been completed. Establishing and maintaining them in accordance with the requirements of the Capital Markets Authority regarding audit procedures, internal control systems, risk management, regulatory compliance procedures, in addition to the governance system, which are properly recorded and implemented.