





We at KAMCO have a strong corporate governance framework in place to align all our business fronts to best practices, internal processes and control, policies and procedures and ethical considerations. The core principles of corporate governance drive the cornerstones of KAMCO's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. KAMCO believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed.

## KAMCO's Corporate Governance Framework

KAMCO believes in the importance of applying the principles and standards of sound governance, by adopting professional and ethical standards in business, ensuring transparency in disclosures, announcing key information in a timely manner, to maintain the company's solid reputation and continue enhancing shareholders and stakeholders' confidence. As part of KAMCO's commitment in implementing the rules of corporate governance, KAMCO, represented by its Board of Directors and Executive Management, has worked on developing the Company's governance and compliance system, through a set of policies and procedures that govern the Company's work and define the responsibilities of each Board member and Executive Management.

During 2018, KAMCO accomplished a number of achievements related to corporate governance such as:

- Updating the Company's policies and procedures.
- Developing and updating the Board/Company committees' charters.
- Implementing the procedures and requirements of corporate governance.
- Reviewing and assessing the Company's corporate governance system continuously

This report summarizes the requirements and procedures implemented at KAMCO for applying corporate governance rules and regulations.

## Constructing a Balanced Board Composition

### Board's Structure

KAMCO's Board of Directors is composed of five members appointed during the Company's Annual General Assembly once every three years. The Board members have proper educational background, professional experience, and extensive business knowledge both locally and regionally.

The role of the Board is to govern the Company. The Board of Directors will exercise its duties collectively and independently, and will devote sufficient time to its responsibilities, and work in good faith and in total dedication to the interests of the Company and its shareholders.

KAMCO's Board of Directors consist of the following:

Name	Classification (Executive / Non-Executive/ Independent), Board Secretary	Qualification and Work Experience	Date of Election / Appointment
Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah - Chairman (Representative of UGB)	Non-Executive Director	BA - Business Administration	14/05/2017
Entisar Abdul Raheem Al-Suwaidi - Vice Chairman	Non-Executive Director / Independent	BA - Accounting	14/05/2017
Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah	Non-Executive Director	BA - English Literature	14/05/2017
Masaud Mahmoud Jawhar Hayat (Representative of UGB)	Non-Executive Director	BA - Economics	14/05/2017
Tariq Mohammad Abdulsalam	Non-Executive Director	BA - Accounting	14/05/2017
Farouq Al Oumi	Board Secretary	BA - Business Administration	14/05/2017

## Board's Meetings 2018

BOD Member Name	Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah - Chairman	Entisar Abdul Raheem Al-Suwaidi - Vice Chairman	Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah	Masaud Mahmoud Jawhar Hayat	Tariq Mohammad Abdulsalam
Meeting # (1/2018) dated 31/01/2018	√	√	√	√	√
Meeting # (2/2018) dated 22/02/2018	√	√	√	√	√
Meeting # (3/2018) dated 30/04/2018	√	√	√	√	√
Meeting # (4/2018) dated 01/05/2018	√	√	√	√	√
Meeting # (5/2018) dated 02/05/2018	√	√	√	√	√
Meeting # (6/2018) dated 14/05/2018	√	√	√	√	√
Meeting # (7/2018) dated 12/06/2018	√	√	√	√	√
Meeting # (8/2018) dated 25/07/2018	√	√	√	√	√
Meeting # (9/2018) dated 05/08/2018	√	√	√	√	√
Meeting # (10/2018) dated 12/11/2018	√	√	√	√	√
Meeting # (11/2018) dated 19/11/2018	√	√	√	√	√
Meeting # (12/2018) dated 31/12/2018	√	√	√	√	√

## Summary of Registering, Coordinating and Archiving Board of Directors Minutes of Meetings

The Board of Directors have a register where all Board of Directors' minutes of meetings are maintained (in serial number). The Board of Directors also appointed Mr Farouq Al Oumi as the Board Secretary, who is responsible for writing and archiving the Board's minutes of meetings, records and reports; and ensuring that the Board members are following all board-resolved resolutions and procedures.

## Establishing Appropriate Roles and Responsibilities

As part of KAMCO's commitment to implement the basics rules of good governance, the Company identified the roles and responsibilities of the Board Members and Executive Management as follows:

- Adopt the Charter of Board of Directors giving the Board the authority to exercise its role and responsibilities in managing the Company.

- Place Key Performance Indicators (KPIs) to evaluate the performance of the Board of Directors.
- Place Key Performance Indicators (KPIs) to evaluate the performance of the Executive Management in compliance with the Company's objectives and strategy.
- Detail the responsibilities of the Board of Directors within the Company's Articles of Associations.
- Approve the Delegation of Authority Matrix which identifies the responsibilities of the Executive Management.
- Form specialized Committees with set authorities and responsibilities to fulfill.
- Approve the Company's policies and charters as to achieve balance in authorities divided between the Board of Directors and Executive Management.

## Board of Director's Achievements for 2018

- Updating and approving the Company's policies and procedures; and ensuring that the Company is fully compliant and committed with them.
- Updating the Company's organization structure.
- Approving the Company's major goals, strategies and plans.
- Approving the Company's annual budget and approving the company's financial statements.

## Board's Committees



### A) Executive Committee

#### Responsibilities and Achievements

The Executive Committee is appointed by the Board to exercise the powers and duties of the Board between Board meetings and while the Board is not in session, and to implement the policy decisions of the Board.

#### Formation Date

The Executive Committee was formed in May 2017.

#### Structure

The Committee consists of five members:

- Sheikh Abdullah Nasser Sabah Al-Ahmad Al-Sabah (Chairman)
- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
- Masaud Mahmud Jawhar Hayat
- Tariq Mohammad Abdulsalam
- Faisal Mansour Sarkhou (KAMCO's Chief Executive Officer)

### Meetings

The Committee met nine times during 2018.

### B) Board Audit Committee

#### Committee's Responsibilities and Achievements

The Committee assists the Board in providing oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations by:

1. Reviewing periodical financial statements before providing them to the Board of Directors and provide the Board of Directors with opinion and recommendation concerning them.
2. Recommending to the Board of Directors to reappoint external Auditors or change them, and specifying the remunerations thereof.
3. Following up on external auditors work and reviewing their remarks on the Company's financial statements.
4. Supervising the internal audit in the Company, evaluating the extent of sufficiency of internal control conditions applied inside the company and reviewing the results of the internal audit reports.
5. Reviewing and approving the internal audit plan.
6. Verifying the Company's compliance with related laws, policies, systems, and regulations.

#### Formation Date

The Committee was formed in May 2017.

#### Structure

The Committee consists of three members:

- Ms. Entisar Al-Suwaidi (Chairperson)
- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah
- Tariq Mohammad Abdulsalam

#### Meetings

The Committee met five times during 2018.

### C) Board Risk Management Committee

#### Responsibilities and Achievements

The Committee works on overseeing and evaluating the risk management practices at the Company by:

1. Preparing and reviewing the risk management strategies and policies before approving the same by the BoD and ensuring proper implementation of such strategies and policies and its consistency with the size and nature of corporate activities.
2. Ensuring availability and sufficiently of resources and systems sufficient for risk management.
3. Evaluating systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the Company, in order to identify areas of weaknesses.

4. Assisting the Board of Directors in identifying and evaluating the company's acceptable risk level, and ensuring that the company does not exceed this level upon approving the same by the BoD.
5. Reviewing the organizational structure of risk management and providing recommendations in this regards before approving the same by the BoD.
6. Verifying independence of the risk management employees from activities that result in subjecting the company to risks.
7. Ensuring that the risk management employees fully understand the risks surrounding the company and raise awareness for employees concerning risk culture.
8. Preparing periodic reports about the nature of risks facing the company and submitting such reports to the Company's Board of Directors.
9. Reviewing issues raised by the Board Audit Committee, which may affect risk management in the Company.

#### Formation Date

The Committee was formed in May 2017.

#### Structure

The Committee consists of three members:

- Tariq Mohammad Abdulsalam (Chairperson)
- Entisar Al-Suwaidi
- Masaud Mahmoud Jawhar Hayat

#### Meetings

The Committee met four times during 2018.

### D) Nomination and Remuneration Committee

#### Responsibilities and Achievements

The Nomination and Remuneration Committee is responsible for assisting the Board of Directors with regard to its responsibilities pertaining to nomination and remuneration related to the members of the Board of Directors and Executive Management. The committee assists the board in reviewing the level of competence of the members of the Board of Directors and KAMCO Executive Management and improve it and setting remuneration frameworks and ensuring its effectiveness in accordance with the approved remuneration policy. Moreover, the committee is responsible for establishing criteria for Board and Executive Management remuneration through:

1. Recommending nomination and re-nomination acceptance for Members of a Board of Directors and Executive Management members.
2. Setting a policy for Board of Directors and Executive Management members' remunerations, along with annual review of the required proper skills needed for Board membership. In addition to importing applications for executive positions as required, studying and revising these applications.
3. Determining various remuneration categories to be provided for employees such as fixed, performance-

based, share-like and end of service remuneration categories.

4. Designing job description for Board members.
5. Ensuring that the independency of the related Board Director is valid.
6. Preparing detailed annual report for all remunerations given to Board of Directors and Executive Management members.

#### Formation Date

The Committee was formed in May 2017.

#### Structure

The Committee consists of three members:

- Sheikha Dana Nasser Sabah Al-Ahmad Al-Sabah (Chairperson)
- Entisar Al-Suwaidi
- Tariq Abdulsalam

#### Meetings

The Committee met five times during 2018.

#### Company's Mechanism in Enabling Board Members to Obtain Accurate and Timely Information and Data

The Company has an effective mechanism that enables the Board of Directors to obtain accurate and timely information, which enables them to perform and fulfil their duties and roles efficiently and sufficiently.

The Company has also developed a basic structure for IT systems, which ensures that all reports are prepared with high quality and accuracy and are submitted to the Board of Directors on time.

## Recruiting Highly Qualified Candidates for the Board of Directors and Executive Management

#### Brief on requirements to form the Nomination and Remuneration Committee:

The Board of Directors has formed a Nomination and Remuneration Committee consisting of Three members (an independent and two non-independent members), and responsible for the nomination of members to the Board, Board Committees and Executive Management, in addition to setting policies related to the Board of Directors and Executive Management remunerations.

## Board of Directors' and Executive Management Remuneration

The remuneration policy at KAMCO, which aims to link remunerations and acceptable risk levels to attract qualified candidates to the company and ensure transparency, was approved by the Board of Directors in June 2016.

A summary of this policy is presented as follows:

- The total remuneration should not exceed 10% of the net profit of the Company (post the deduction of depreciation, reserves, shareholders dividends not less than 5% of the Company's capital or any higher percentage as stipulated in the Company's Articles of Association).
- The total remuneration amounts should be approved by the General Assembly through its annual meeting based on a recommendation by the Board Nomination and Remuneration Committee.
- The independent board member may be exempted, based on the approval of the Ordinary General Assembly, from the maximum limit of remuneration stipulated in this section.

Directors' remuneration is divided into four as shown below:

#### 1. Board Membership Remuneration

This is an annual remuneration given to all Board Members.

#### 2. Board Committees Membership Remuneration

The Board Member will be entitled for each committee membership remuneration only if he/she was able to attend the minimum number of meetings required in each committee's charter.

#### 3. Remuneration for Attending Meeting:

Members of the Board are entitled to a fixed rate against attending Board and Committee meetings.

#### 4. Special Bonuses:

A special bonus is granted should the Board of Directors assign specific tasks to a member as per Article 185 of the Companies' Law, stipulating that the "Board of Directors may distribute work between members as per the nature of the business, as well as delegate a member or committee or another person to perform duties or supervise one of the activities of the Company or to exercise certain authorities or responsibilities vested in the Board."

## Executive Management Remuneration Policy

The Executive Management remuneration policy takes into consideration the conditions and environment in which the Company operates, the results achieved, and relevant risk factors. The key components are:

#### 1. Fixed remuneration:

- Fixed compensation is set based on the responsibilities and growth path identified for each member of the Executive Management.
- Fixed remunerations are agreed upon with the Executive Management based on their skills and experience.
- Fixed remunerations are reviewed periodically.

- Fixed remunerations, including salaries, allowances, and benefits are set in KAMCO's Salary and Grading Structure and approved by the Board of Directors.

#### 2. Variable Remuneration:

- Designed to motivate and reward high performers within the overall risk framework of the organization.
- Variable remuneration awards are allocated to individuals depending upon individual, divisional, and Company-wide performance using an individualized performance assessment system.
- The variable remuneration is divided into annual cash bonus / incentive and Long Term Incentive accordingly. This is determined annually by the Board Nomination and Remuneration Committee prior to approval by the Board.
- The performance appraisal process is managed in accordance with the Company's approved Performance Management Policy.

#### Balance between fixed and variable remuneration

The Company ensures that there is an appropriate balance between fixed and variable remuneration to allow for the possibility of reducing variable remuneration in the case of weak or adverse financial performance. The percentage of fixed and variable remuneration is reviewed and determined annually by the Board of Directors based on the Board Nomination and Remuneration Committee's recommendation.

#### Board Remuneration Details

The Board of Directors has proposed a bonus of KD20,000 for the financial year ended 31 December 2018, which will be subject to the approval of the shareholders of the Company's General Assembly for the financial year ended 31 December 2018.

## Executive Management Remuneration and Salaries Details

Staff Category	No. of Employees	Fixed Remuneration (KD)			
		Salaries (Fixed Compensation & Transportation)	Education & Travel	End of Service & Annual Leave	Total Fixed Remuneration
Executive Management	11	797,100	133,715	237,163	1,167,978

Staff Category	No. of Employees	Variable Remuneration (KD)		
		Annual Bonus	Long-term Incentive	Total Variable Remuneration
Executive Management	11	288,772	121,952	410,724

Staff Category	No. of Employees	Total Fixed Remuneration (KD)	Total Variable Remuneration (KD)	Total Remuneration (KD)
Executive Management	11	1,167,978	410,724	1,578,702

## Other Remuneration Given from Sister Companies Details

The following is the remuneration awarded by Global Investment House ("Global") to its Board of Directors that hold executive positions with KAMCO:

No. of Employees	Particulars	Grand Total (KD)
3	Total Board Sitting Remuneration for the year ended in 31 December 2018	7,850
	Total BOD Annual Remuneration for the year ended in 31 December 2018*	21,165

\* Subject to the Annual General Meeting of Global Investment House ("Global")

## Deviations from the remuneration policies approved by the Board of Directors

None

## Safeguarding the Integrity of Financial Reporting

The Executive Management acknowledges to the Board its responsibility for the fair presentation of the KAMCO's consolidated financial statements for the year ended 31 December 2018, and that these statements present all financial aspects of the Company accurately, including data and operational results, and are prepared in accordance with the International Accounting Standards approved by the Capital Market Authority (CMA).

Furthermore, the Board of Director acknowledges to the shareholders its responsibility for the fair presentation of KAMCO's consolidated financial statements for the year ended 31 December 2018; and that they present all financial aspects of the company, including data and

operational results, and are prepared in accordance with the International Accounting Standards approved by the Capital Market Authority (CMA).

The Board of Directors formed a fully independent Audit Committee that consists of three members (one independent and 2 non-independent members). The committee members have educational qualifications and practical experience in the field of accounting and finance.

The external auditors of the Company are fully independent from the Company and its Board, and the Board Audit Committee verifies their independence on an annual basis. Furthermore, the external auditors do not provide any service other than the services related to the Company's audit function.

## Applying Sound Systems of Risk Management and Internal Audit

The Company's organization structure (Approved by the Company's Board of Directors) includes a fully independent Risk Management Department, reporting directly to the company's Board of Directors. The Risk Management Department is granted full authority to perform its role properly without being granted financial powers and authorities. The department also has qualified human cadres of professional competences and technical capabilities.

The Board of Directors formed a fully independent Risk committee that consists of three members, and its main responsibility of developing and monitoring Risk Management policies and procedures.

The Board of Directors continuously works on developing the company's internal controls systems; through applying the "Four Eyes Principles" as follows:

1. Proper identification of authorities.
2. Segregation of duties to prevent conflicts of interest
3. Dual control and review
4. Dual Signature

The Company's approved organization structure also includes a fully independent Internal Audit Department, reporting directly to the company's Board Audit Committee and accordingly to the Board of Directors. The head of the Internal Audit Department is appointed directly by the Board of Directors based on the nomination of the Board Audit Committee; and the Board of Directors identifies its roles and duties.

## Promoting Code of Conduct and Ethical Standards

KAMCO's Code of Ethics and Standards of Professional Conduct sets the key principles underlying business ethics. These guidelines are in line with the industry's best practice standards and are an outcome of our years of experience in the field.

Our Code of Ethics and Standards of Professional Conduct emphasizes professionalism in the Asset Management and Investments business and details the minimum acceptable behavior. These include specific rules against insider trading and documentation of our commitment to preserving the integrity of capital markets, our fiduciary duties to our clients, confidentiality and establishment of appropriate Chinese Walls. Preserving these core values of KAMCO and conducting business in an ethical manner is a responsibility of all of us.

KAMCO also conducts appropriate training on a periodic basis to reiterate commitment to the Code of Ethics and Standards of Professional Conduct. Any violation of the Code of Ethics and Standards of Professional Conduct is dealt with severely resulting in immediate disciplinary action.

The Board of Directors also developed a policy related to conflicts of interest; whereby KAMCO always works on identifying, treating and reporting situations constituting conflicts of interest within it and its subsidiaries and affiliates; as to ensure that all conflicts of interest are dealt with and addressed expeditiously.

## Ensuring Timely and High Quality Disclosures & Transparency

KAMCO has been in the forefront in offering transparency in operations through its annual Shafafiya (transparency) forum. In this forum KAMCO illuminates how it has promoted ethical and responsible decision making, while safeguarding the integrity of financial reporting. KAMCO has made timely and balanced disclosures, while efficiently recognizing and managing risk. One of the Company's aims is to balance the legitimate interests of Stakeholders through consistent enhanced performance.

The Company maintains a special register related to all the Board of Directors and Executive Management's disclosures. This register is available to be reviewed by all the company's shareholders; and is reviewed and updated periodically.

The Company also incorporated an Investors Relations Unit, which is responsible for providing data and reports to potential investors. This unit is reasonably independent, in a manner that allows it to provide accurate data and reports in a timely manner.

The Company also works continuously on developing and updating the Information Technology infrastructure, to be able to rely on it heavily when communicating with shareholders, investors and stakeholders. This is done through developing a separate section on the Company's website for Corporate Governance, where all information and data that shareholders and potential investors might need is available.

## Respecting the Rights of Shareholders

The governance system at the Company ensures that all shareholders are fairly treated, ensuring equal dealing with all shareholders and protection against breach of the rights thereof, in addition to protecting capitals of shareholders against misuse by the Company managers, the Member of a Board Members, and major Shareholders. Furthermore, the company's articles of association also includes procedures and controls required to ensure fairness and equality amongst all shareholders.

Shareholders rights include:

1. Listing the ownership percentage in the Company records.
2. Dealing with shares, including registration and transfer of ownership.
3. Receiving their dividends.
4. Obtaining their share in the Company's assets in case of liquidation.
5. Having access to data and information of the Company's activities and operational and investment strategies regularly and easily.
6. Participating in the shareholders' general assembly and voting on the resolutions thereof.
7. Electing members of Board of Directors.
8. Control and checking performance of the Company, in general, and the Board of Directors, in particular.
9. Holding the company's Board of Directors or the executive management accountable and file tort cases if they fail to meet roles entrusted thereto.

The Company created a special Register at the Clearing Agency, where shareholders names, nationalities and number of shares held by them are recorded. Shareholders are allowed to review this register and verify that data is maintained according to the highest degrees of confidentiality.

The Company also encourages shareholders to participate and vote in the Company's General Assembly Meeting through the following mechanisms:

- **Mechanism of Participation in the Shareholders General Assembly:** The shareholders' general assembly shall be held upon the call of the Board of directors; and invitation will be sent to shareholders including the AGM agenda, time and location. Shareholders are allowed to participate effectively in the AGM and discuss all issues listed in the agenda, raising inquiries therein, and posing questions concerning such issues to be answered by the Board members and the external auditor.
- **Mechanism of Voting in the Shareholders General Assembly:** The Company allows shareholders to exercise the right of voting by principle or by proxy, without placing any obstacles that would prevent such voting.



## Recognizing the Roles of Stakeholders

KAMCO acknowledges stakeholder rights and works on encouraging the cooperation between the Company and stakeholders in various areas. Moreover, stakeholders' contributions represent a crucial resource for building the Company's competitiveness and supporting its profitability levels.

The Company developed an internal policy related to the rules and procedures that ensure acknowledgment and protection of the stakeholders' rights, such as:

- Ensuring that dealing with the Board members and stakeholders is conducted in accordance with the same conditions applied by the Company, without any discrimination of preferential conditions.
- The procedures to be followed in case any party breaches the obligations thereof, in addition to those applied for paying compensations.
- Mechanisms of compensating stakeholders if the rights thereof set out by the controls and protected by the agreements are breached.
- Mechanisms that show how the company establishes good relationships with the clients and suppliers and keeps confidentiality of the related information.
- Mechanisms of settlement of complaints or disputes, which may arise between a company and any stakeholder.

The Company also works on encouraging stakeholders to participate in following up with the Company's various activities through:

- Allowing Stakeholders to have access to information and data related to the Activities related to them in a timely and regular manner.
- Developing a mechanism that allows stakeholders to report to the Board of Directors of any unfair practices committed by the company against them.

## Encouraging and Enhancing Performance

The Company developed several mechanisms that would allow Board Members and executive management to attend different training programs and workshops continuously, that are related to the Company's activities and to the Board Members role, in order to develop their skills and experience; in a manner that would help them perform their duties effectively.

During the year, the Company's Board Members and Executive Management Members attended several training programs and workshops related to different topics such as:

- Updates on CMA Regulations
- Updates on emerging regulations such as GDPR, BEPS and CRS.
- Updates on blockchain technology and implications on financial services.
- Update on AML CTF Regulations

The Company also developed mechanisms to evaluate the performance of each member of the Board of Directors and Executive Management periodically, through developing a set of performance measurement indicators related to the extent of achieving strategic goals of the Company.

The Board of Directors also works continuously on ensuring the importance of value creation with the employees of the Company; through developing mechanisms that achieve the Company's strategic goals, improving performance level and abiding to the laws and regulations and, in particular, corporate governance.

## Focusing on the Importance of Corporate Social Responsibility (CSR)

KAMCO is constantly balancing business objectives with broader ethical and social considerations, just as it works on the balance between profits now and the promise of higher returns in the foreseeable future.

KAMCO's 2018 CSR initiatives focused on the areas of youth empowerment, professional development, education and financial literacy, as well as community and employee well-being; positioning the goal of community development at center-stage. During the year, the company participated in several community initiatives such as:

- Supporting Generation Eight of The Protégés with KIPCO Group Companies
- Supporting the Annual KIPCO Tmkeen Award for Young Entrepreneurs for the 4<sup>th</sup> consecutive years
- Sponsoring of the 2018 AUK Career Fair
- Conducting university lectures to foster a culture of financial literacy and investment awareness
- Hosting a joint INJAZ-Kuwait job shadow with Global Investment House
- Sponsoring "Those Who Inspire" 2018 edition book and movement
- Sponsoring and participating in East Chain Open Hub Conference in Kuwait
- Sponsoring and participating in GBSA 3<sup>rd</sup> Kuwait Conference and GBSA Dubai's Debt Capital Market Summit
- Hosting KAMCO annual blood donation drive and co-hosting a blood drive with Global Investment House
- Sponsoring Head and neck cancer awareness campaign, in collaboration with Cancer Awareness Nation (CAN)
- Sponsoring "Flat Race Competition" at the Hunting and Equestrian Club to support local sports community
- Participating and representing KIPCO in the 'Social responsibility of the private sector in supporting human rights' seminar organized by the Ministry of Foreign Affairs and held in collaboration with the UNHCR