

# Corporate Governance Report SOOR Fuel Marketing Co. K.S.C.P



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## Introduction

Corporate governance principles reflect the rules, regulations and procedures which optimize protection and equilibrium among interests of companies, shareholders and the stakeholders. The main target beyond implementation of governance rules is represented in enabling the company to meet shareholders' objectives in a manner which enhances shareholders' confidence in the company's efficient performance and ability to face crises.

Corporate governance principles regulate the methodology pertinent to decision-making at the company and create transparent and sound decisions. The most important corporate rule is embodied in protection of shareholders' equity and separation of authority between Executive management – which manages the company's affairs and the Board of Directors which prepares and review plans and policies in that company. As such, those principles are an additional assurance which creates a sense of confidence in dealing with such company. Furthermore, they enable shareholders and stakeholders to manage the company effectively.

On 27 June 2013, Capital Market Authority made its decision no. 25/2013 whereby corporate governance rules have been issued under CMA's supervision. Corporate governance rules have been issued as provided for in Article (40) Executive Regulation, Law 7/2010 in connection with the creation of CMA & organization of securities activity where it stipulates that CMA shall determine a particular regulation for governance. In addition, terms and provisions of Article 217, Law 25/2012 which enacts Companies' Act, as amended, which indicates as follows: "The relevant regulatory authorities shall determine governance rules for the companies, governed by them, so as to optimize protection and balance between company's management interests and its shareholders as well as the stakeholders. Also, such law sets forth the requirements that shall be met by Board of Directors' independent members.

Corporate governance principles have been revised by Decree 48/2015 issued on 30 June 2015 noting that such decree was reenacted in part 15, executive regulation, Law 7/2010 in connection with creation of CMA and organization of securities activity. Such rules were applied on 30 June 2016.

Corporate governance principles comprise a package of mainstays and requirements, on which deliberate management is based, as well as the methodology for applying such

rules and principles. Such methodology determines benchmarks related to governance principles' application mechanism including a balanced Board of Directors structure together with independent members and non-executive members, determination of the liabilities and roles entrusted to both the Board of Directors and the Executive management in addition to stress on fairness of financial reports and the necessity for providing a good management of risks, internal controls, attention and promotion of professional conduct and ethical values together with the importance to provide mechanisms pertaining to disclosure, transparency, shareholder equity protection, realization of stakeholders' role, overcoming conflict of interests, performance improvement and stress on the social significance shouldered by companies.

Pursuant to the positive steps adopted by CMA, through the regulations, ordinances and decisions via which CMA attempts to improve business environment, transparency and protect shareholder equity, SOOR always exerts its utmost efforts depending on an integral staff who are dedicated to adherence to all laws and decrees in professional and timely manner as required.

## **First Rule: Building a Balanced Structure of the Board of Directors**

Board of Directors' decisions have a remarkable effect on the company's performance and proper financial position. Hence, SOOR's Board of Directors comprises a sufficient number of members (9 members) for constitution of the required number of the Board committees as per corporate governance principles and regulations. When the Board of Directors was constituted, various experiences and competent skills have been taken into consideration in a manner which optimizes decision making. In addition, non-executive members represent the Board of Directors majority. Also, the Board of Directors includes two independent members.

### 1 – Board of Directors Composition:

Name	Member Ranking	Academic Degrees	Practical Expertise	Nomination/ Election Date
Mr. Turaif Mohammed Al-Awadhi	Non-executive	Bachelor of Business Administration	25 years, Business Administration	11/04/2022
Mr. Talal Ahmed Al-Khars	Executive	Bachelor of Science	25 years, Business Administration and Development	11/04/2022
Mr. Abdulaziz Malek Al-Ali	Non-executive	Bachelor of Law	14 years, Field of Law	11/04/2022
Mr. Ali Hussain Al-Kandari	Non-executive	Bachelor in Petroleum Engineering	33 years, Oil Sector	18/06/2019
Mr. Ashraf Al-Haj Mahmoud	Non-executive	Bachelor of Accounting Master Degree – Feasibility Study & Projection Evaluation Ph.D. in Health Care Management	25 years, Accounting and Management	11/04/2022
Mr. Jaber Mohammed Ashkanani	Independent	Bachelor of Accounting	25 years in Business Administration	11/04/2022
Mr. Jaafar Ali Rajab	Independent	Bachelor of Arts in Philosophy Educational Diploma	18 years in Media	11/04/2022
Mrs. Nour Mahdi Mahmoud	Non-executive	Bachelors of Public Relations and Advertising Masters in Business Administration	2 years in Healthcare field	11/04/2022
Mr. Yousef Yaqoub Al-Saqer	Non-executive	BSc in Maritime Transport Technology	26 years, Marine Field	28/04/2021
Mr. Salem Al-Hasawi	Board Secretary	Bachelor of Management and Marketing	33 years in Business Administration and Marketing	11/04/2022

- Mr. Ali Hussain Al-Kandari has been appointed as a representative of Kuwait Petroleum Corporation in SOOR Fuel Marketing Company's Board of Directors as per the letter received from KPC on 18/06/2019.
- Mr. Yousef Yaqoub Al-Saqer has been appointed as a representative of Kuwait Petroleum Corporation in Soor Fuel Marketing Company's Board of Directors as per the letter received from KPC on 28/04/2021.

## 2 –Board of Directors' Meetings:

Name	Title	M1 dated 16/03/2022	M2 dated 06/04/2022	M3 dated 12/04/2022	M4 dated 26/04/2022	M5 dated 12/05/2022	M6 dated 04/08/2022	M7 dated 13/11/2022	No. Of meetings
Mr. Turaif Mohammed Al-Awadhi	Chairman	✓	✓	✓	✓	✓	✓	✓	7
Mr. Talal Ahmed Al-Khars	Executive member	✓	✓	✓	✓	✓	✓	✓	7
Mr. Ashraf Al-Haj Mahmoud	Non-executive member			✓	✓	✓	✓	✓	5
Mr. Jaber Mohammed Ashknani	Independent member	✓	✓	✓	✓	✓	✓	✓	7
Mr. Jaafar Ali Rajab	Independent member			✓	✓	×	✓	✓	4
Mr. Abdulaziz Malek Al-Ali	Non-executive member	✓	✓	✓	✓	✓	✓	✓	7
Mr. Ali Hussain Al-Kandari	Non-executive member	✓	✓	✓	✓	×	✓	✓	6
Mrs. Nour Mahdi Mahmoud	Non-executive member			✓	✓	✓	✓	✓	5
Mr. Yousef Yaqoub Al-Saqer	Non-executive member	✓	✓	✓	✓	✓	✓	×	6
Mr. Hani Fawaz Al-Jawabrah	Non-executive member	✓	✓						2
Mr. Jaber Ahmad Ghadanfar	Non-executive member	✓	✓						2
Mr. Meshaal Yaqoub Al-Omar	Non-executive member	✓	✓						2
Mr. Salem Al-Hasawi	Board Secretary	✓	✓	✓	✓	✓	✓	✓	7

- A new Board of Directors of SOOR Marketing Company was elected in the General Assembly on 11/04/2022.
- The first meeting of the new Board of Directors was held on 12/04/2022.

### **3- Recording, Coordination and retaining Board of Directors' Minutes of meetings.**

- The company maintains an annual record, in connection with Board of Directors meetings, comprising minutes under serial numbers during the year in which the meeting was held as well as meeting's venue, date, starting time and ending time. In addition, copies of all documents, which have been discussed during meeting, are attached.
- Secretary of the Board namely Mr. Salem Al-Hasawi – Vice President of Sales, Marketing & PR Department – undertakes the duties entrusted to him by virtue of governance principles. Such duties are outlined in preparation for Board of Directors meetings and sending necessary documents and invitations within 3 days prior to the Board of Directors' meeting. Moreover, the Board Secretary registers all decrees and discussions made among members, records members' voting results on decrees, coordinates, and maintain all documents which have been discussed during meetings.

### **4. Independent Members' Commitment**

The Board of Directors of the SOOR Fuel Marketing Company includes two independent members who are entrusted with advisory tasks related to the company's various activities, in a way that helps the Board of Directors to take sound decisions that contribute to achieving the company's interests.

Each of the two independent members of the SOOR Fuel Marketing Company has committed that they have the following independence controls as stated in Article (2-3) of Chapter Three of Book Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of The Capital Markets Authority and the Regulation of Securities Activity and its Amendments (Appendix 1):

- That he does not own five percent or more of the shares of SOOR Fuel Marketing Company.
- That he is not related to the first degree with any of the members of the Board of Directors of the company or the executive management in the company or in any company of its group, or the main related parties.
- That he is not a member of the board of directors of any of its group companies.

- That he is not an employee of the company or any of its group companies or any of the stakeholders.
- That he is not an employee of the legal persons who own controlling shares in the company.
- The independent member has the qualifications, experience, and technical skills corresponding with the company's activity.

## **Second Rule:** Establish Appropriate Roles & Responsibilities

- SOOR's Board of Directors has approved the Board of Directors' Charter. The charter regulates the details of all roles, powers and authorities assigned to both the Board of Directors and the Executive management noting that this regulation reflects separation between the duties and powers entrusted to the Board of Directors and those assigned to the executive management in a manner which ensures the entire independence and efficiency for all parties. Further, the Board of Directors' liabilities are clearly indicated in SOOR's articles of association with observation of the general assembly's roles.

### **1 - Board of Directors Roles & Responsibilities: -**

- Approves company's important strategies, plans and policies.
- Approves company's capital structure and financial targets.
- Sets company's overall strategies as well as the main business plans, reviews and direct the same.
- Participates in achieving SOOR's profits.
- Supervises SOOR's main capital expenditures, possession of assets and disposal thereof.
- Ensures compliance with policies and procedures in respect of adherence to applicable rules and regulations through support by both Audit Committee and Risk Committee affiliated to the Board of Directors.
- Assumes liability toward shareholders and bears responsibility before the relevant stakeholders.



- Monitors and supervises the executive management's performance.
- Monitors performance of each member at the Board of Directors and the executive management based on the key performance indicators determined by support from Nomination & Remunerating Committee.
- Approves SOOR's governance report which shall be recited at the general assembly. Such report shall include company's full governance requirements and procedures and compliance therewith.
- Determines SOOR's governance framework without contradiction to CMA's corporate provisions and principles. Supervises such framework in general, monitors its efficiency and modifies it when necessary.
- Ensures accuracy and authenticity of the data and information which shall be disclosed in conformity to disclosure and transparency policies and bylaws.

**Corporate governance framework, approved by the Board of Directors, reflects the Chairman's roles and responsibilities pursuant to Corporate Governance principles as outlined hereunder:**

- Ensures effective discussion of all principal issues by the Board of Directors in a timely manner.
- Supports and assists the executive management.
- Represents SOOR towards other parties as contemplated in SOOR's articles of association.
- Encourages all Board of Directors members to participate fully and effectively in running the Board of Directors' affairs so that the Board of Directors can take actions in favor of SOOR.
- Ensures the actual communication with shareholders and forwards their opinions to the Board of Directors.
- Promotes positive relations and effective participation among both the Board of Directors and the executive management.
- Creates positive criticism attitudes regarding the issues which are exposed to different points of view among Board of Directors members.

**SOOR has a competent Executive management team. Corporate Governance framework reflects the Executive management`s roles and liabilities to which it shall adhere in view of the authorities and powers vested and approved by the Board of Directors as summarized herein below:**

- Implements SOOR policies, regulations and internal systems approved by the Board of Directors.
- Executes the annual strategies and plans approved by the Board of Directors.
- Prepares the periodical reports related to the progress accomplished in company`s activities in view of SOOR`s strategic plans and targets.
- Administers the daily tasks and run activity in addition to optimal management of SOOR`s resources, profit maximization and expenditure reduction as per company`s goals and strategies.
- Participates effectively in promoting and developing ethical value attitudes at SOOR.
- Prepares Internal Control Review & Risk Management System to ensure the effectiveness as well as adequacy of such systems and abide by risk tolerance approved by the Board of Directors.
- Upgrade the IT infrastructure to generate data and necessary information required for decision making pursuant to SOOR`s expansion strategy and needs.
- Prepares key performance indicators for SOOR`s employees and periodically evaluates the duties accomplished by them.
- Formulates a clear action mechanism in respect of monitoring the regulatory rules and regulations pertaining to SOOR activities in order to ensure implementation and compliance therewith.

## **2 - Board of Directors Achievements During 2022:**

- Authorized the annual budget and approved periodical and annual financial statements of year 2022.
- Followed up committees` achievements and ensured on such committees` responsibilities and powers.

- The Board held periodic meetings with the committees to ensure that they carried out their duties in the fullest manner and to evaluate the performance and work of those committees and their main members.
- Monitored performance of each Board of Directors member as per the key performance indicators determined by support from Nomination & Remuneration Committee.
- Reviewed the report on the risks of observations mentioned in the internal audit reports of SOOR Fuel Marketing Company.
- Reviewed and approved the updated Risk Assessment Matrix of the company.
- Reviewed and approved IT Disaster and recovery plan.
- Approved the recommendation of the Remuneration and Nomination Committee regarding the applications of candidates for membership of the Board of Directors.
- Election of the Chairman of the Board of Directors, re-appointment of the Chief Executive Officer and appointment of a Secretary to the Board of Directors of Soor Fuel Marketing Company.
- Formation of Board of Directors committees and reviewing and approving their charters.
- Reviewed and approved the updated Risk Appetite Report.
- Reviewed and approved the policies and procedures of the KPIs for evaluating the Board of Directors and the Executive management.
- Approved the Job descriptions of the members of the Board of Directors.
- Reviewed the Quality Assurance Report (2019-2021).
- Reviewed and approved an updated Succession Plan.
- Reviewed and approved the updated Authority Matrix of the company.
- Reviewed and approved the Corporate Governance Report, Audit Committee Report, and the Compliance Report for the year 2021.
- Reviewed and approved the Risk Register report prepared by the Risk Management Department.

- Reviewed and approved the policy and procedures updates for each of the Projects Department, Operations Department, and the Marketing & Sales Department.

### **3 – Board of Directors Committees**

#### **Audit Committee**

- Formation Date: 26/04/2022.
- Committee Tenure: Expires when the Board of Directors' term comes to its end.

<b>Committee Members</b>	<b>Title</b>	<b>Ranking</b>
Mr. Ashraf Al-Haj	Committee Chairman	Non-executive member
Mr. Jaber Mohammed Ashknani	Committee Member	Independent member
Mr. Abdulaziz Al-Ali	Committee Member	Non-executive member

Number of meetings held in 2022:11 meetings

#### **Audit Committee's Assignments & Achievements during year 2022:**

- The Audit Committee met four times with the external auditor to review periodical and annual financial statements before being forwarded to the Board of Directors where the Audit Committee demonstrated its opinion and recommendation to the Board of Directors for ensuring fairness, transparency, and authenticity of financial statements as well as SOOR's internal controls noting that SOOR held its periodical meetings during which financial reports have been perused. The Audit Committee forwarded its recommendations to the Board of Directors for approval.
- The Audit Committee monitored the works of the external auditor and ensured that such auditors have never provided services to SOOR other than those required for audit work.
- Reviewed external auditor's comments on SOOR financial reports and monitored what have been accomplished in this regard.

- Reviewed audit and governance reports before they were forwarded to general assembly.
- Conducted technical supervision over SOOR’s internal audit unit provided by (Al-Aiban & Al-Qatami Company, a Member of Grant Thornton International) to ensure that such unit had undertaken the duties and assignments determined by the Board of Directors.
- Forwarded necessary recommendations to the Board of Directors in connection with appointment, reappointment or change of external auditor or determination of his fees.
- Reviewed conclusions of internal audit reports and ensured that valid actions had been taken regarding the comments set forth in such reports.
- Reviewed the Internal Controls Review Report.
- Reviewed the Quality Assurance Report conducted by Moore Stephens.
- The Audit Committee met four times with the internal auditor to monitor internal audits at SOOR and reviewed audit reports pertinent to SOOR various departments.

**Risk Management Committee**

- Constitution Date: 26/04/2022
- Committee Tenure: Expires when the Board of Directors’ term comes to its end.

<b>Member Name</b>	<b>Title</b>	<b>Ranking</b>
Mrs. Nour Mahdi Mahmoud	Committee Chairman	Non-executive member
Mr. Talal Ahmad Al-Khars	Committee Member	Executive member
Mr. Jaber Mohammed Ashknani	Committee Member	Independent member

Number of meetings held in 2022: 4 meetings

**Risk Management Committee’s Assignments & Achievements during the year 2022:**

- Reviewed and approved an update of the report conducted by the Risk Department on the potential risks that may arise from the audit findings for each department.
- Reviewed and approved an update of the Risk Assessment matrix.
- Reviewed and approved the risk appetite report.
- Reviewed the KNPC plan to implement the ISO 31000 standards with their strategic partners.
- Reviewed an updated risk register conducted by the Risk management department that includes the addition of residual risk.
- Reviewed an update of a study conducted by the Risk Management Department on the latest updates of the Electric Vehicles' market and the possible effects of it on the fuel selling industry.

#### **Nomination & Remuneration Committee**

- Formation Date: 26/04/2022
- Committee Tenure: Expires when the Board of Directors' term comes to its end.

<b>Committee Member</b>	<b>Title</b>	<b>Ranking</b>
Mr. Ashraf Al-Haj	Committee Chairman	Non-executive member
Mr. Talal Ahmad Al-Khars	Committee Member	Executive member
Mr. Jaafar Ali Rajab	Committee Member	Independent member

Number of meetings held in 2022: 4 meeting

#### **Nomination & Remuneration Committee's Assignments & Achievements during year 2022:**

- The committee prepared the KPIs assessment report to evaluate the Board of Directors as a whole, the contribution of each Board member and each of its committees, and the performance of the Executive Management.
- Prepared an annual detailed report on all remunerations granted to Board of Directors members and the executive management in 2021. Further, the

committee ensured that the report had been forwarded to general assembly for approval.

- The committee announced the opening of the candidacy for the membership of Board of Directors of Soor Fuel Marketing Company for the period of (2022-2024).
- The committee reviewed the applications of the candidates for the Board of Directors for the period of (2022-2024).
- The committee updated and reviewed the job descriptions of the Executive members, Non-Executive members and the Independent members.

#### **4 -Requirements' Application Method which allows Board of Directors members to obtain information and data accurately and in a timely manner: -**

- Vice Chairman and Chief Executive Officer periodically forwards SOOR's latest achievements to the Board of Directors.
- Further, SOOR, through the Board's Secretary, provides to board members accurate and clear information and data in order to be able to undertake and take over their assignments and duties effectively and actively.
- SOOR ensures that all prepared reports are extremely valid and precise and that they are furnished to board members at proper time for facilitating the process through which decisions are timely made.

## **Third Rule: Recruit Highly Qualified Candidates for Members of a board of Directors and the Executive management.**

### **1 – Nomination & Remuneration Committee: -**

SOOR has a Nomination & Remuneration Committee affiliated to Board of Directors. The committee comprises of three board members including one independent member. Further, its chairman is a board non-executive member. The board has determined its membership tenure and operation method in addition to its powers and responsibilities in the committee's charter approved by the board.

Nomination mechanism includes progressive selection of competent board and executive management members. Also, SOOR has approved a remuneration mechanism for maintaining efficient employees and attraction of new competent persons in addition to assistance for achieving SOOR goals and progress. Remuneration system – pertaining to executive management - is based on key performance indicators.

Moreover, the committee has prepared KPI Report for overall evaluation of the Board of Directors as well as participation by each board member and each of the board ad hoc committees in addition to appraisal of executive management performance.

**2 – Report on remunerations granted to Board Members & Executive Management:-**

An annual detailed report – on all remunerations – either as sums or benefits - granted to board members and executive managements – has been prepared for year 2022 in addition to making sure that the report will be forwarded to SOOR general assembly for approval and recitation by the Board’s Chairman.

A summary of the remuneration and incentives policy followed by SOOR Fuel Marketing Company, what is related to the members of the Board of Directors and the Executive Management.

Under the framework of the remuneration system of SOOR Fuel Marketing Company, bonus decisions are taken based on the results of the company's performance, performance against set goals, evaluation of overall individual performance and commitment to the values of SOOR Fuel Marketing Company, work principles, policies and procedures of the company.

To evaluate the performance of the members of the Board of Directors, the Remuneration Committee considers the commitment to attend the meetings of the Board of Directors and the nature and effectiveness of participation by each member of the Board in addition to carrying out the tasks and responsibilities entrusted to them.

- Details of remuneration and benefits of members of the Board of Directors

	<b>Remuneration and Benefits from the parent company</b>	
	<b>Fixed Remuneration and</b>	<b>Variable Remuneration and Benefits (Kuwaiti Dinar)</b>



	Benefits (Kuwaiti Dinar)		
		Annual Remuneration	Committees' Remuneration
<b>Board of Directors Chairman</b>	None	10,000	None
<b>Vice Chairman &amp; CEO</b>	None	10,000	1,000
<b>Board of Directors Member</b>	None	5,000	1,000
<b>Board of Directors Member</b>	None	5,000	1,000
<b>Board of Directors Member</b>	None	5,000	1,000
<b>Board of Directors Member</b>	None	5,000	
<b>Board of Directors Member</b>	None	5,000	
<b>Independent Member</b>	None	5,000	1,000
<b>Independent Member</b>	None	5,000	1,000

Note: There are no remuneration or benefits for members of the Board of Directors through subsidiaries

Position	Basic Salary	Fuel Allowance	Educational Allowance	Car Allowance & Car used	Medical Insurance	Life Insurance	Mobile Allow.	Ticket Allowance	PISS co. Share	Bonus	Total Salary & Benefits
<b>CEO</b>	86,400	600	10,000	-	1,900	498	720	15,125	3,795	50,000	<b>169,038</b>
<b>Vice President of Marketing, Sales &amp; PR</b>	40,500	480	6,000	3,200	2,280	358	480	-	3,795	5,500	<b>62,593</b>
<b>Vice President of Operations &amp; Logistics Services</b>	40,500	480	6,000	3,060	2,280	358	480	-	3,795	5,500	<b>62,453</b>
<b>Vice President of Finance &amp; Accounting</b>	40,500	480	6,000	3,180	1,520	358	480	-	-	5,500	<b>58,018</b>
<b>Vice President of Human Resources &amp; Administration</b>	40,500	480	6,000	3,180	2,660	358	480	-	3,795	5,500	<b>62,953</b>

<b>Vice President of Technical Services</b>	40,500	480	6,000	3,145	1,900	358	480	-	3,795	5,500	<b>62,158</b>
<b>SHEQ Manager</b>	24,000	360	4,500	3,240	1,500	239	360	-	3,439	2,500	<b>40,138</b>
<b>Senior Manager, Corporate Sales</b>	23,940	480	6,000	3,060	1,140	238	480	-	3,429	2,000	<b>40,767</b>

Note: There are no remuneration or benefits for members of the executive management through subsidiaries

**Any material deviations from the remuneration policy approved by the Board of Directors:**

There are no material deviations from the remuneration policy approved by the Board of Directors

## **Fourth Rule: Ensured Integrity of Financial Reports**

### **1 –Written Undertakings by Board of Directors & Executive Management on Soundness & Integrity of Prepared Financial Reports: -**

Integrity and fairness of SOOR`s financial statements are regarded as an important indicator to the company`s truthfulness and credibility in presenting its financial position, a matter which makes shareholders and investors more confident in the statements and information provided and disclosed by the company to its stakeholders. Executive management undertakes in writing to Board of Directors that the company`s financial reports are validly and fairly presented and to approach all financial sides related to SOOR including operational statements and outcomes. Besides, such reports are prepared as the recognized IFRSs. In addition, the annual report – provided to shareholders by SOOR Board of Directors – includes a written undertaking of soundness and integrity of all financial statements as well as the reports related to SOOR`s business noting that the foregoing reports participate in enhancing accountability of the executive management by the Board of Directors or of the board by shareholders.

### **2 – Audit Committee Formation:-**

SOOR has an audit committee which comprises of two non-executive board members and one independent member. The committee enjoys an absolute independence. It

includes one member holding academic qualifications and practical expertise on accounting and financial fields. The board has determined AC's tenure and operation method. Moreover, it's powers and responsibilities specified in the committee charter approved by the board. The committee held eleven meetings in 2022 where it discussed multiple subject matters within its powers and assignments. It further met periodically with SOOR's external and internal auditors.

### **3- Conflict between Audit Committee's Recommendations & Board of Directors Decisions: -**

In the event there is a conflict between the audit committee's recommendations and Board of Directors' decisions including – when the Board of Directors rejects the committee's recommendations, in connection with the external auditor and/or internal auditor, there shall be a detailed statement reflecting the recommendations and the reason or reasons for the board's deviation from adherence to them. In 2022, there was no contradiction between the committee's recommendations and Board of Directors' decisions.

### **4 - Independence & Neutrality of External Auditor:**

SOOR's general ordinary assembly reappointed the company's external auditor as per Board of Directors' decision. Such decision was based on the audit committee's recommendations taking into consideration that the external auditor is listed in the Authority's external Auditors register and meets all necessary requirements in this regard. Moreover, the external auditor is independent from SOOR and its Board of Directors and that he neither undertakes additional works for SOOR nor works included under audit processes nor tasks which affect neutrality and independence.

Moreover, the external auditor attended SOOR annual general ordinary assembly meeting where he recited the report prepared by him to SOOR shareholders.

## **Fifth Rule: Applying Proper Systems of Risk Management and Internal Audit**

### **1 – Risk Management**

SOOR has an independent risk management department affiliated to Risk Committee and Board of Directors. This department mainly measures, monitors and evaluate all

risks surrounding SOOR and finds solutions to mitigate the adverse impacts of such risks.

## **2 – Risk Management Committee**

Risk Management Committee comprises of three board members including one independent member. The board has determined its tenure and operation method. Moreover, Risk Management Committee's powers and responsibilities are contemplated in the committee charter approved by the board. Risk Management Committee held four meetings in 2022 where it discussed multiple subject matters within its powers and assignments.

## **3 – Internal Controls Review**

SOOR's Internal controls include all systems which are adequate to maintain the company's financial integrity, statement accuracy and operation efficiency in all respects. Moreover, SOOR has taken into consideration the four eyes principles for internal control process which represented in sound determination of powers and liabilities, the entire separation between assignments, no conflict of interests, examination, double control and signature by the availability of an administrative and financial structure as well as the procedures pertinent to SOOR in addition to IT systems prepared and designed based on separation of assignments among the respective departments and positions.

## **4 - Application of Independent Internal Audit Unit/ Office/ Department Requirements**

SOOR has entered a contract with an external firm to administer internal audit processes (Al-Aiban & Al-Qatami Company, Member of Grant Thornton International) which has full independence and expanded technical expertise in auditing field. Such firm has prepared audit reports for all activities and operations of SOOR including its various departments. Auditing reports include comments and recommendations in addition to departments' responses as well as business plans determined for taking necessary actions according to forwarded recommendations. Such reports have been presented to Audit Committee.

## **Sixth Rule:** Promote Code of Conduct and Ethical Standards

**Code of Conduct which includes professional as well as ethical standards and restrictions:**

SOOR has a code of conduct approved by the Board of Directors. This COC includes standards and restrictions pertinent to professional conduct as well as ethical values. Through sound professional conduct and ethical values, we can enhance the investor's confidence in SOOR integrity and financial statements accuracy noting that all Board of Directors and Executive management adhere to internal policies and regulations as well as statutory and regulatory which optimize interests of all parties related to SOOR and shareholders in particular with no conflict of interests and with high transparency. In other words, SOOR's governance framework includes compliance by all Board of Directors and executive management members with all laws and regulations in a manner which meets interest of SOOR, shareholders and all related parties and not only the interest of a certain group. Code of conduct stresses on each member and employee inside SOOR not to strive to achieve a persona interest to himself or to a third party in addition to not using job influence for achieving a personal goal or benefit; moreover, each member in SOOR shall avoid exploiting the company's resources and assets to a personal benefit. But he shall rather use them to optimize the company's targets. Above all, SOOR has determined a precise system which prohibits board members and employees from using the information, obtained by them by virtue of their positions, to their own personal advantage. Also, they are prohibited from disclosure of the company's information and data other than in the cases permitted by law. In brief, there shall be an obvious separation between the interest of a Board Member and the interest of the company.

### **2 - Proper Policies & Procedures for Limitation of Conflict of Interest:**

SOOR's Board of Directors has determined the mechanism and policies required for limitation of interest conflict cases including their correction methods as a part of the company's governance framework with observation of Companies Law.

## **Seventh Rule: Accurate Disclosure and Transparency in the Right Time**

### **1 - Mechanisms of Precise Transparent Presentation and Disclosure which determine disclosure's respects, fields and issues:**

Precise disclosure is deemed one of the main advantages and methods to monitor the company's operations and evaluate its performance. This leads shareholders and investors to be aware of the company's structures and activities as well as the policies adopted by the company in addition to appraisal of the company's performance in connection with ethical standards. Board of Directors has determined, within the company's governance framework, an approved policy for accurate and transparent presentation and disclosure which reflects the sides, fields and issues pertinent to disclosure noting that the Board of Directors is concerned with periodical review of disclosure and transparency mechanisms and systems applicable at the company.

### **2 - Board of Directors & Executive Management's Disclosure Record:**

SOOR maintains a special record which includes disclosures by board members and the executive management of the ownership percentage of the company's shares in addition to declarations by insiders which are updated as per provisions of CMA regulation noting that such record is made available for perusal by all the company's shareholders without charge or consideration. Moreover, SOOR periodically updates this record in a manner which reflects condition of the stakeholders.

### **3 – Investors Affairs Unit**

Vice President of Finance and Accounts Department has been instructed to undertake investors affairs management. He will be held liable for making available and providing the financial statements, information and reports required by potential investors.

### **4 - Upgrade of IT Infrastructure & Strict Reliance thereon in Disclosure Processes:-**

SOOR uses Information Technology at a large level by upgrading several systems adopted in the company's various operations.

Furthermore, SOOR possesses a substantial and effective website encompassing all information and data pertinent to the company's business together with the latest developments which help investors as well as current and potential investors to practice

their rights and evaluate the company's performance in addition to a section related to corporate governance noting that SOOR periodically updates its website.

## **Eighth Rule: Respect of Shareholders' Rights**

### **1 – Identification and protection of shareholders' general equities to ensure fairness and equality among shareholders: -**

SOOR has a recognized policy belonging to shareholders' equity. Further, SOOR article of association include procedures and restrictions required for all shareholders to practice their rights in order to improve and protect shareholders' general equity for ensuring fairness and equality among all shareholders regardless of their levels. Under no circumstances, the company shall not conceal any information or any of shareholders' equity.

Herein below some of shareholders general equity guaranteed by SOOR:

- Entry of shareholding in the company's registers.
- Shareholders' rights to deal with shares including possession's registration and/or acquisition.
- Shareholder right to obtain the prescribed share of dividends.
- Shareholder receives a share of the company's assets in case of liquidation.
- Shareholder right to obtain the details and information pertaining to the company's activity as well as operational and investment strategy in a regular and proper manner.
- Shareholder's right to participate in general assembly in addition to voting over its decisions.
- Shareholder's right to elect board members.
- Monitor the company's performance in general and the Board of Directors' assignments in particular.

### **2 –Accuracy and On-Going Monitoring of Shareholders' Data:**

For progressive monitoring of all matters related to shareholders' details, SOOR maintains a special register with Clearing Agency. This register contains shareholders' names, nationalities, addresses and number of shares held by each one of them. Any changes made to the details, set forth in such register, are updated in shareholders'

register based on the details received by the company or clearance agency. Each concerned person is entitled to request the company or clearing agency to provide him with statements of such register.

### **3 - Method to Encourage Shareholders to Participate and Vote in SOOR General Assembly Meetings:**

- SOOR respects shareholders' right to participate in the company's general assembly meetings and vote over its decisions. This is deemed as an original right of shareholders irrespective of their different levels noting that participation and voting mechanism therein is contemplated in Shareholders' Equity Policy and governance framework applicable at SOOR in conformity to the company's articles of association. The company's articles of association clearly include the procedures and restrictions required for ensuring participation by all shareholders of their rights in a manner which establishes fairness and equality without inconsistency with the applicable laws and regulations as well as the orders and instructions issued in this regard.
- SOOR has approved shareholders' participation mechanism in the company's general assembly meetings based on an invitation by the Board of Directors for meeting within three months following the end of the fiscal year noting that convention by SOOR shall be through all notification channels including Kuwait Stock Exchange's website and daily newspapers. The Board of Directors invites the general assembly for meeting if required or at a justified request by a number of shareholders who hold not less than ten percent of the company's capital or at request of the auditor in the course of fifteen days of request.
- SOOR approves voting mechanism as to shareholders' general meetings as set forth in the company's articles of association by allowing all shareholders to participate in voting right without placing any obstacles which may lead to voting restriction. This is because voting is an original right to shareholder. Hence, it cannot be terminated in any way.



## **Ninth Rule:** Respect the Rights of stakeholders

### **1- Regulations and policies which ensure protection and recognition stakeholders' rights:**

SOOR respects and protects rights of stakeholders in all incoming and outgoing transactions. Therefore, it has prepared, within the company's governance framework, a policy approved by the Board of Directors including rules and procedures which ensures the protection of stakeholders' rights and allows them to obtain indemnifications if any of their rights are breached.

For no conflict of interests belonging to stakeholders, either in connection with contracts or spot transactions with the company, with those pertinent to shareholders, it is worth saying that stakeholders may not obtain privileges via their dealing in contracts and transactions which fall within the company's usual activities. Moreover, the company determines internal policies and regulations which ensure an obvious mechanism in respect of awarding all various types of contracts and transactions via tenders or different purchase orders.

### **2 - Encouraging stakeholders to participate in monitoring SOOR's different activities:**

The company allows stakeholders to obtain the information and data pertaining to their activities to be depended on in a timely and regular manner.

In addition, the company sets proper mechanisms to make it easier for stakeholders to forward a report to the company's Board of Directors on any unsound practices burdened on them by the company noting that proper protection shall be made available to reporting parties.

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

### **1 - Board of Directors & Executive Management Members' Progressive Training Program & Course Mechanism:**

SOOR approves adequate training programs, workshops and conferences for the current board members and the executive management pertaining to the company's business and role of board members in order to elaborate their skills and expertise in addition to matching with developments in a manner which helps them to perform their duties.

## **2 - Overall Appraisal of Board of Directors Performance & Individual Performance of each Board member and Executive Management member:**

SOOR has applied systems and appraisals so as to evaluate performance of board members as well as executive management members on a periodical basis. In this regard, evaluation relies on a series of key performance indicators related to accomplishment of the company's strategic goals, effective risk management and adequate internal audit for appraisal of each of the aforementioned members as well as the relevant committees. In addition, there are performance indicators which evaluate the executive management performance on an annual basis to reflect their points of strength and weakness and deal with them to the benefit of SOOR.

## **3 - Corporate Value Creation:**

Board of Directors strives to establish short, medium and long-term values by determining and providing mechanism and procedures which can fulfill the company's strategic goals and improve performance rates in a manner that efficiently participates in motivating employees to work continually to maintain the company's financial integrity.

The company works hard on internal and integral reporting systems to become more comprehensive as this helps the board members as well as the executive management to make decisions effectively hence meeting shareholders' interests.

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

### **1 - Making balance between SOOR goals and society targets as well as programs and social responsibility work:**

SOOR has determined a policy to make balance between the company's goals and society objectives represented in improving living, social and economic conditions of society.

### **2 - Adopted programs and mechanisms which reflect the efforts exerted by SOOR at social work level:**

- Increasing employment of Kuwaitis.
- Provided financial sponsorship and participating in the largest female car racing event in Kuwait Motor Town (Road Rush) which is the eleventh year event and

is considered one of the largest events held in the year. SOOR Fuel Marketing Company presented gifts and special offers for the event.

- SOOR Fuel Marketing Company has also supported youth projects for Kuwait University Kuwaiti students (Petroleum major) by providing financial sponsorship for a graduation project to encourage them and support them to develop and enhance their practical and scientific skills.

## **Appendix (1)**

التاريخ: 2022/04/14

المحترم،،،

السيد / طريف باقر العوضي

رئيس مجلس الإدارة

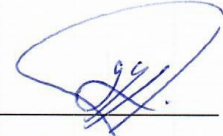
تحية طيبة وبعد،،،،،

**الموضوع: إقرار عضو مجلس الإدارة (عضو مستقل)**

أقر انا جابر محمد عبدالله اشكناني كويتي الجنسية، رقم مدني (269032000533) عضو مجلس الإدارة في شركة السور لتسويق الوقود بصفتي عضو مجلس الإدارة المستقل، بأني أتمتع بكافة شروط الاستقلالية التالية:

1. أنني أتمتع بالاستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتها.
2. أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

وتفضلوا بقبول فائق الاحترام،،،،،



عضو مجلس الإدارة (المستقل)

**جابر محمد عبدالله اشكناني**

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KBT Tower

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An ISO 9001 2008 14001 - 2004 OHSAS 18001:2007 Certified company

Paid Capital K.D. 40,470,758.000

Commercial Register No. 113393

رقم السجل التجاري 113393

رأس المال المدفوع: ٤٠.٤٧٠.٧٥٨.٠٠٠ د.ك.

التاريخ: 2022/04/14

السيد / طريف باقر العوضي  
رئيس مجلس الإدارة

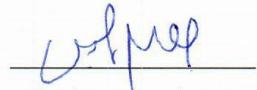
تحية طيبة وبعد،،،،

**الموضوع: إقرار عضو مجلس الإدارة (عضو مستقل)**

أقر أنا **جعفر علي رجب حسن** كويتي الجنسية، رقم مدني (264082300259) عضو مجلس الإدارة في شركة السور لتسويق الوقود بصفتي عضو مجلس الإدارة المستقل، بأني أتمتع بكافة شروط الإستقلالية التالية:

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وتفضلو بقبول فائق الإحترام،،،

  
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