

Corporate Governance Report SOOR Fuel Marketing Co. S.A.K



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`s 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 one independent member.

1 – Board of Directors Composition:

Name	Member Ranking	Academic Degrees	Practical Expertise	Nomination/ Election Date
Mr. Tarif Mohammed Al-Awadi	Non-executive	Bachelor of Business Administration	21 years , Business Administration	02/06/2016
Mr. Talal Ahmed Al-Khars	Executive	Bachelor of Science	21 years, Business Administration and Development	02/06/2016
Mr. Jaber Mohammed Al-Hajeri	Independent	High School Diploma	31 years, Media Field	02/06/2016
Sheikh/ Faisal Al-Jaber Al-Sabah	Non-executive	Bachelor of Business and Accounting	26 years, Oil Sector	30/10/2017
Mr. Essa Ibrahim Al-Mousa	Non-executive	Bachelor of Computer Science	20 years, Management of Computer Systems, IT and Engineering Services	02/06/2016
Mr. Hani Fawwaz Abdulrahman	Non-executive	Bachelor of Business Administration Finance Master Degree	29 years, Financial, Investment Field and Risk Management	02/06/2016
Mr. Meshaal Yaqoub Al-Omar	Non-executive	Bachelor of Arts	18 years, Real Estate Sector	02/06/2016
Mr. Abdulwahab Al-Mansouri	Non-executive	Bachelor of Law	24 years, Field of Law	30/11/2016
Mrs. Ibtihaj Ahmad Al-Fouzan	Non-executive	Bachelor of Business Administration	29 years, Business Administration	04/03/2018
Mr. Abdulaziz Malek Al-Ali	Non-executive	Bachelor of Law	10 years, Field of Law	11/11/2018
Mr. Ehab Jameel Ishaq	Board Secretary	Bachelor of Commerce BA Master Degree	24 years, Accounting Field	10/03/2016

2 –Board of Directors’ Meetings:

Name	Title	M 1 dated 4/3/2018	M 2 dated 14/3/2018	M 3 dated 14/5/2018	M4 dated 12/8/2018	M 5 dated 11/11/2018	M 6 dated 27/12/2018	No. Of meetings
Mr. Tarif Mohammed Al- Awadi	Chairman	✓	✓	✓	✓	✓	✓	6
Mr. Talal Ahmed Al-Khars	Deputy Chairman and CEO	✓	✓	✓	✓	x	✓	5
Sheikh/ Faisal Al-Jaber Al- Sabah	Board Member	x	✓	✓	✓	✓	✓	5
Mr. Essa Ibrahim Al-Mousa	Board Member	✓	✓	✓	✓	✓	✓	6
Mr. Hani Fawwaz Abdulrahman	Board Member	✓	✓	✓	✓	✓	✓	6
Mr. MeshaalYaqoub Al-Omar	Board Member	✓	✓	x	✓	✓	✓	5
Mr. Abdulwahab Al Mansouri	Board Member	✓	✓	✓	x			3
Mrs. Ibtihaj Ahmad Al- Fouzan	Board Member	✓	✓	✓	x	x	x	3
Mr. Jaber Mohammed Al- Hajeri	Board Member	✓	✓	✓	✓	✓	✓	6
Mr. Abdulaziz Malek Al-Ali	Board Member					✓	x	1
Mr. Ehab Jameel Ishaq	Board Member	x	✓	✓	✓	✓	✓	5

- Mrs. Ibtihaj Ahmad Al-Fouzan has been appointed as a representative of Kuwait Petroleum Corporation in SOOR Fuel Marketing Company’s Board of Directors instead of Mr. Khalid Saleh Al-Asousi as per the letter received from KPC on 15/01/2018.
- Mr. Abdulaziz Malek Al-Ali has been appointed as a representative of International Business Trading Company in SOOR Fuel Marketing Company’s Board of Directors instead of Mr. Abdulwahab Abdullah Al-Mansouri on 11/11/2018.

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. EHAB ISHAQ – Vice President of Finance & Accounts 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.

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` s 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 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 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 toward 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`s 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 so as to generate data and necessary information required for decision making pursuant to SOOR 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 2018:-

- Updated and approved the Board of Directors' s charter.

- Updated and approved Board of Directors committees` charters including Audit Committee, Risk Committee as well as Nomination & Remuneration Committee.
- Approved SOOR`s organizational structure based on governance principles and CMA`s amendments.
- Authorized the annual estimated balance sheet and approved periodical and annual financial statements of year 2018.
- Followed up committees achievements and ensured on such committees` responsibilities and powers.
- Approved Risk Assessment mechanism, emphasized on the necessity of such mechanism and determined the actions to be taken to mitigate the negative impacts of such risks on SOOR`s financial position.
- Approved the risk tolerance level acceptable to SOOR and ensured the importance of the same to SOOR`s Risk Management and internal control.
- Discussed a study conducted by the Risk Management Department on the nature of SOOR`s current and potential risks in addition rendering the solutions proposed to mitigate the adverse impacts created by such risks.
- Monitored performance of each Board of Directors member as per the key performance indicators determined by support from Nomination & Remuneration Committee.

3 – Board of Directors Committees

Audit Committee

- Formation Date: 20/06/2016.
- Committee Tenure: Expires when the Board of Directors`s term comes to its end.

Committee Members	Title	Ranking
Mr. Hani Fawwaz Abdulrahman	Committee Chairman	Non-executive member
Mr. Essa Ibrahim Al-Moussa	Committee Member	Non-executive member
Mr. Jaber Mohammed Al-Hajeri	Committee Member	Independent member

Number of meetings held in 2018: 10 meetings

Audit Committee` s Assignments & Achievements during year 2018:

- The Audit Committee met four times with the external auditor to review periodical and annual financial statements before they 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) so as 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.
- 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: 20/06/2016
- Committee Tenure: Expires when the Board of Directors` s term comes to its end.

Member Name	Title	Ranking
Mr. Hani Fawwaz Abdulrahman	Committee Chairman	Non-executive member
Mr. Talal Ahmad Al-Khars	Committee Member	Non-executive member
Mr. Jaber Mohammed Al-Hajeri	Committee Member	Independent member

Number of meetings held in 2018: 4 meetings

Risk Management Committee's Assignments & Achievements during the year 2018

- Reviewed and approved the Risk Assessment mechanism to measure different types of risks - to which the company may be exposed – in order to mitigate the expected adverse impacts as far as possible.
- Reviewed and approved a study conducted by the Risk Department on the nature of the risks which is surrounded SOOR in addition to evaluation and measurement of such risks as well as submission of expected solutions to encounter such adverse impacts.
- Reviewed and approved risk appetite report prepared by Risk Management Department in order for the Board of Directors to approve and determine risk level acceptable to SOOR.
- Updated risk management`s policies and procedures.
- Updated the risk register.
- Prepared process mapping to facilitate potential risk determination process at SOOR various departments.

Nomination & Remuneration Committee

- Formation Date: 20/06/2016
- Committee Tenure: Expires when the Board of Directors` s term comes to its end.

Committee Member	Title	Ranking
Mr. Mishaal Yagoub Al-Omar	Committee Chairman	Non-executive member
Mr. Talal Ahmad Al-Khars	Committee Member	Non-executive member
Mr. Jaber Mohammed Al-Hajeri	Committee Member	Independent member

Number of meetings held in 2018: 2 meetings

Nomination & Remuneration Committee's Assignments & Achievements during year 2018

- Prepared an annual detailed report on all remunerations granted to Board of Directors members and the executive management in 2017. Further, the committee ensured that the report had been forwarded to general assembly for approval.
- The committee prepared a report on key performance indicators for overall evaluation by the Board of Directors as well as participation of each Board of Directors member and each committee in addition to appraisal of the executive management.
- The committee prepared job descriptions of each one of the Board of Directors' executive, non-executive and 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 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 though 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 2018 in addition to making sure that the report will be forwarded to SOOR general assembly for approval and recitation by the Board`s Chairman.

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 boardby shareholders.

2 – Audit Committee Formation:-

SOOR has an audit committee which comprises three non-executive board members including 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 ten meetings in 2018 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 2018, there was no contradiction between the committee` s recommendations and Board of Directors` s decisions.

4 - Independence & Neutrality of External Auditor:

SOOR` s general ordinary assembly reappointed the company` s external auditor as per Board of Directors` s 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 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 2018 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 into 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 – Investor 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`s 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 ensure the protection of stakeholders` rights and allow 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:

- As the company is concerned with caring for talented people at different fields, SOOR sponsored various programs during the year such as:

- "Protégés Program" which aims at preparing youths for success in their career lives in addition to creating a generation of enlightened youths via training and courses provided by the program.
 - Sponsorship of graduation projects for Faculty of Engineering, Kuwait University to encourage students to be creative in their academic areas and consolidate their practical skills.
 - Sponsorship of the annual exhibition for job and educational opportunities established at the Public Authority for Applied Education & Training. It aims at educating and guiding High school, college and institutions' students, who are about to graduate, by providing job options at different sectors.
 - Sponsorship of "Women's Ramadan Tournament" for football which aims at encouraging and developing women's roles in Kuwaiti sports.
 - Sponsorship of a participant in Bahrain motor racing which was held in Kingdom of Bahrain to encourage youths to take part in international championships in different sports.
 - "ALFA HORSE JUMPING COMPETITION" which is the first tournament provided by the company to hurdle jumping talented youths so as to show their skills and partake in local championships.
- Increasing employment of Kuwaitis.
 - Sponsorship and participation with "OmyJanaty" charitable organization on the World Day for People with Disabilities by participating in lectures. In addition, some employees have been trained on cardiac pulmonary resuscitation.
 - SOOR participated in protecting environment from pollution and environmental damages by waste recycling technology at all parts of the company in addition to encouraging participants to collect wastes as an initial step for recycling.