



الشركة العمليّة للطاقة (ش.م.ك.م.)  
Action Energy Company (K.S.C.C)

# **ACTION ENERGY COMPANY - CORPORATE GOVERNANCE MANUAL**

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## Review & Approval

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## Table of Contents

1.	Definitions .....	1
2.	Introduction.....	3
	2.1. Preface .....	3
	2.2. Purpose.....	3
	2.3. Scope of Application.....	3
	2.4. Ownership and Custody .....	3
	2.5. Distribution.....	3
	2.6. Policy Maintenance.....	4
	2.7. Document Maintenance Authorities .....	4
	2.8. Precedence of Laws and Regulations .....	5
3.	Corporate Governance .....	6
	3.1. Key Objectives.....	6
	3.2. Structure of Governance .....	6
	3.3. Core Principles of Governance .....	6
4.	Governance Landscape .....	8
5.	Codes of Corporate Governance .....	9
	5.1. Governance Responsibilities .....	9
	5.2. Integrity of Financial Reporting .....	9
	5.3. Disclosure & Transparency .....	9
	5.4. Internal Control System and Risk Management Framework .....	10
	5.5. Ethical Standards .....	10
	5.6. Shareholder Relationships.....	10
	5.7. Stakeholder Relationships .....	10
	5.8. Corporate Governance Core Principles .....	9
	5.9. CG Tools and Enablers.....	13
6.	Corporate Governance Manual .....	14
	6.1. Establishing A Competent Board.....	14
	6.2. Establishing Clear Roles and Responsibilities of The Board .....	14
	6.3. Establishing Board Committees .....	15
	6.4. Establishing Executive Management.....	15
7.	Fostering Commitment.....	17
	7.1. Board Independence .....	17
	7.2. Board Performance Assessment.....	17
	7.3. Code of Conduct and Ethics.....	17
	7.4. Enhancing Company Disclosure .....	18
	7.5. External Auditor's Independence and Improving Audit Quality .....	18
	7.6. Efficient Access to Relevant Information .....	18
	7.7. Internal Control System and Enterprise Risk Management Framework .....	18
	7.8. Upholding Shareholder Rights .....	19
	7.9. Recognizing Stakeholder Rights .....	19
	7.10. Regulatory Compliance.....	19
	7.11. Relationship with Counterparties/ Vendors .....	20
	7.12. Social Responsibility .....	20

## 1. Definitions

- 1.1. The Company:** refers to the Action Energy Company K.S.C.C. and does not include any subsidiaries, associates, or partnerships.
- 1.2. The Authority:** refers to the Capital Markets Authority (CMA)
- 1.3. Board of Directors ('Board'):** refers to the Board or the Board of Directors of the company or the company's governing council as required under the Kuwait Companies Law No.1 for 2016, and its executive bylaws as may be amended occasionally.
- 1.4. Board Members (Directors' or 'directors'):** refers to the natural person, the representative of the natural person or the legal person elected to the Board of Directors as a member. The term covers Chairman, Vice Chairman, Executive Board Members, Non-Executive Board Members, and Independent Board Members of the company.
- 1.5. Non-Executive Member of the Board of Directors (Non-Executive Director):** refers to the Board Member who does not have a full-time management position at the Company and does not receive a salary from the Company. The remuneration received as a Member of the Board of Directors is not deemed a salary. [The term Non-Executive Board Member includes Independent Director unless mentioned otherwise.]
- 1.6. Independent Director:** The non-executive Board Member who meets the key criteria for independence described by the CMA in its Rules for Corporate Governance.
- As per Article 2-3, Chapter Two, of The Executive Bylaws Module 15, the term "Independent Director" shall be void if any of the below criteria are met / satisfied:
- The member holds 5% or more of the company shares for which he is nominated or represented.
  - To have first-degree relations with any of the Members of a Board of Directors or executive management members in the company or any other company in its Group or the relevant main parties.
  - To be a member of the board of directors of any company in the group.
  - To be an employee in the company or any company in the Group or for any of the Stakeholders.
  - To be an employee of corporate entities that own control shares in the company.
- 1.7. Chief Executive Officer (CEO):** refers to a person appointed by the company's Board of Directors from amongst the members of the Board (except Chairman of the Board) or others, who shall be directly under the Board of Directors, who oversees managing all executive works relating to the company's main activities, under the responsibilities and authorities granted to him. This includes the general manager of a limited liability company.
- 1.8. Executive Management:** refers to the C-suite executive positions directly subordinated to/ reporting to the CEO following the organisation's organisational structure. The Board appoints Executive Management and is responsible for the Company's day-to-day business.
- 1.9. Key Management<sup>1</sup>:** refers to individuals with authority and responsibility for planning, directing, and controlling the entity's activities, directly or indirectly, including any Board member (whether executive or otherwise) of that entity.

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<sup>1</sup> Defined in accordance with IAS 24. Please refer to IAS 24, Definitions.

**1.10. Significant Influence:** refers to when a company owns directly or indirectly 20% or more of another company; it is considered to have Significant Influence unless it proves that it has no influence. Such influence is established in one of the following ways:

- a) Representation on the company's Board of Directors.
- b) Participation in setting out regulations, including resolutions related to the distribution of profits and any other distributions.
- c) Any important transactions between the two companies.
- d) Exchange of administrative employees.
- e) Provision of essential technical information.

**1.11. Control** refers to any condition, agreement, or shareholding (whether individual holding or through Subsidiaries or Acting in Concert) exceeding 30% of the Traded Shares of a Company Listed on the Exchange.

**1.12. Joint Control:** refers to the contractually agreed sharing of control over an economic activity.

**1.13. Conflicts of Interest:** refers to conflicts of interest in the organisation where a person's interest interferes in any way with the overall interests of the organisation.

**1.14. Stakeholders:** refers to every person of Interest to the Company, including but not limited to employees, creditors, suppliers, clients, agents, and services provided thereto.

## 2. Introduction

### 2.1. Preface

Corporate governance refers to the system of stewardship and control that guides organisations in fulfilling their long-term economic, moral, legal, and social obligations towards their stakeholders. It is a system of direction, feedback, and control that uses regulations, performance standards, and ethical guidelines to hold the Board and Executive Management accountable for ensuring ethical behaviour—reconciling long-term customer satisfaction with shareholders' value—to benefit all stakeholders and society.

### 2.2. Purpose

The purpose of the Corporate Governance Manual (Manual) is to state the principles of corporate governance to which the Board, Executive Management, and employees of the Company commit themselves. The Company considers corporate governance a necessary component of sound business management to improve its value and benefit its shareholders and Stakeholders.

Sound corporate governance is essential for creating and sustaining shareholder value while ensuring the company's business activities are conducted ethically, legally, and transparently. The Company believes corporate governance is fundamentally concerned with creating sustainable Shareholder value without ignoring the interests of other Stakeholders in the Company, such as employees, partners, customers, and the community at large.

This Manual is a guide that outlines the company's governance beliefs. It provides an overview of the governance framework and the structures and controls to ensure accountability, transparency, fairness, and responsibility are embedded in corporate decision-making. These elements provide a basis for promoting the company's highest standards of corporate governance and a level of comfort to the Stakeholders, giving the organisation a competitive advantage when it looks for investors, suppliers, and business partners.

The Company has adopted the following definition of governance:

*“Governance is the system of structures, processes, and procedures to direct, control, and manage the Company's business. It defines the roles and responsibilities of various Stakeholders to ensure no Conflict of Interest or misuse of authority. It determines the rules and procedures for deciding on corporate affairs, including the process through which the Company's objectives are set. It provides the means for achieving those objectives and monitoring the performance within the Company.”*

The “Corporate Governance Regulation” developed the manual and set by the CMA.

### 2.3. Scope of Application

The corporate governance principles apply to the Company's Board, Executive Management, and employees. The board should approve any exception to the principles contained in this Manual.

### 2.4. Ownership and Custody

The Company's Compliance Department shall maintain the corporate governance manual documentation. The Compliance Department shall keep a printed and controlled version of the document in its safekeeping for reference purposes.

### 2.5. Distribution

The manual document will be circulated to the Company's Board Members, Executive Management, and employees and/or published on the web portal for general access.

Any access to the Manual document to interested third parties shall be subject to their signing a standard non-disclosure agreement with the Company and the approval of the Compliance Department.

## 2.6. Policy Maintenance

The manual shall be reviewed every two years or more frequently if necessary. Revisions, if any, to the manual shall be based on one or more or a combination of the following reasons:

- Changes in applicable laws, regulations, Company policies and operational requirements.
- Gaps/ improvement opportunities identified by the Internal Audit Department.
- Any other change which necessitates amendment to this Policy.

All requests for revision to the manual shall be submitted to the Compliance Department and shall follow the steps mentioned below:

- In the event of any request for revision to the Policy, the Compliance Department shall review the request and assess if the proposed changes are pertinent and justified considering any of the above-listed parameters.
- If the proposed changes are not justifiable, the Compliance Department may reject such a request and notify the requester accordingly, along with reasons for the rejection.
- If the requested changes are deemed justifiable, the Compliance Department shall forward the change request to the Board for its review and approval.

Subject to approval by the Board, the Compliance Department shall amend/ update the Manual. The updated manual shall be circulated to the board members, executive management, department heads, and company employees.

## 2.7. Document Maintenance Authorities

Authorities	Maintain	Update/ Amend	Review	Endorse	Approve	Publish
Compliance Department	✓	✓	✓			
Legal Department			✓			
Risk Management Department			✓			
Board					✓	
Human Resources Department						✓
IT Department						✓

## 2.8. Precedence of Laws and Regulations

In a conflict between any statement and/or course of action in this Manual document and applicable regulations, the relevant laws and regulations shall always take precedence.

### 3. Corporate Governance

#### 3.1. Key Objectives

The key objectives for implementing a sound corporate governance structure in the Company are as follows:

##### 3.1.1. Establishing a governance system

- a) Creating structure, system and processes for the strategic direction and control of Company activities.
- b) Establishing relationships among the Board, Board Committees, Executive Management, and management committees.

##### 3.1.2. Promoting shareholders' value

- a) Meeting Shareholders' expectations through sustained value creation.
- b) Enhancing the Company's corporate image in global markets.

##### 3.1.3. Enhancing management competency

- a) Introducing a modern management approach designed to contribute to the Company's growth, increase its profitability and limit risks by applying leading practices.
- b) Introducing mature practices to ensure effective management by the Board and Executive Management.
- c) Providing a basis for establishing specialised Board and management committees to ensure business conduct by Company bylaws, policies, and regulations.

##### 3.1.4. Improving organisational oversight

- a) Establishing effective oversight over implementing decisions by the Board and Executive Management.
- b) Providing a basis for establishing control functions, including policies and procedures for performance management, internal and external audit, risk management, internal control, and compliance management.

##### 3.1.5. Implementing concepts of good governance

- a) Ensuring impartiality, transparency, and integrity in treating Shareholders and other relevant Stakeholders.
- b) Eliminating conflicts of interest when dealing with related parties.

#### 3.2. Structure of Governance

The Company's corporate governance structure is built around the Board, elected by the general assembly meeting of the Shareholders and the Board Committees, responsible for reviewing the Company's operations within the context of their specific expertise, conducting voting decisions of their own on various matters before returning to the Board.

#### 3.3. Core Principles of Governance

The Company's corporate governance principles are designed to ensure legal and regulatory compliance, ethical conduct of the Board and Executive Management, strategic planning and management, and independence and objectivity, and to ensure that the Company's stakeholders transparently perform their duties and responsibilities to support its governance practices continuously.

The Company's corporate governance manual emphasises the following principles:

### **3.3.1. Legal and regulatory compliance**

Regulatory compliance is key and requires the Company to abide by applicable laws and regulations. The Company complies with CMA regulations, instructions, guidelines, and processes for establishing its governance framework and structure to create a good organisational corporate governance culture.

### **3.3.2. Conduct and culture**

The Board and Executive Management champion the values of trust, integrity, and good governance. They powerfully communicate and promote the Company's ethical and moral values.

### **3.3.3. Strategic oversight**

The Board acts as a key advisor to the Executive Management, advising the Company executives on the company's strategic direction, objectives, and action plans, considering the available business opportunities and its risk appetite.

### **3.3.4. Independence and objectivity**

Independence of the Board from management is fundamental to ensure an effective oversight of the Board<sup>2</sup>The Company's Board ensures the independence of its control functions, such as risk management, compliance, and internal audit.

### **3.3.5. Accountability and transparency**

Accountability and transparency help the Company build strong relationships with its Stakeholders, including customers, employees, and Shareholders. The Board's accountability involves taking responsibility for all company activities and ensuring/ presenting a fair, balanced, and understandable assessment of the Company's position and prospects.

The Board is responsible for ensuring management accountability by providing strategic direction, establishing a structure of Executive Management commensurate with the company's functions, and delegating powers to various levels of management by delegating authority. Accountability is further enforced by establishing processes for the continuous monitoring and oversight of the Company and its subsidiaries when applicable.

### **3.3.6. Continuous Improvement**

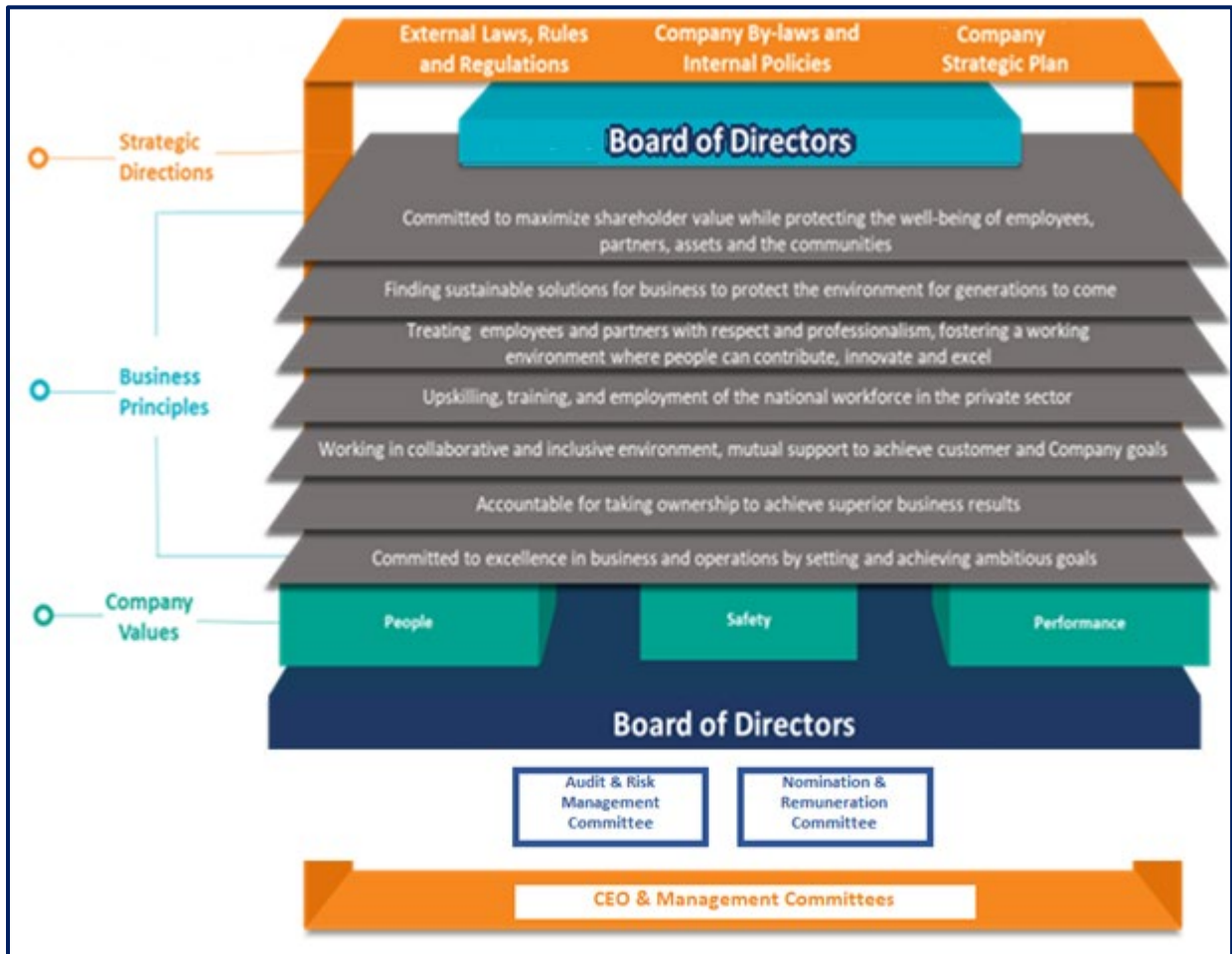
The Board is committed to continuously improving its corporate governance policies, procedures, and practices. Establishing communication channels between various control functions within the company, such as risk management, compliance, internal audit, etc., provides the basis for continuous improvement.

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<sup>2</sup> The independence of an executive board member is often called into question because there is a potential for a conflict of interest between the board member's role as an independent overseer of the company and their role as an executive who is responsible for the day-to-day operations of the company. To address potential conflicts of interest, companies should have at least a majority of non-executive and independent directors on their board. The executive members should also recuse themselves from certain decisions that lead to a conflict of interest.

## 4. Governance Landscape

The governance landscape of the Company, depicted below, ensures the cascading of its values and principles to every individual associated with the Company for every transaction, process, function, and activity. Please refer to the representation below.



**Governance Landscape of the Company**

## 5. Codes of Corporate Governance

### 5.1. Governance Responsibilities

- 5.1.1.Principle 1:** The Company shall be headed by a competent Board to foster its long-term success and sustain its competitiveness and profitability consistent with its corporate objectives and the long-term best interests of its shareholders and other Stakeholders.
- 5.1.2.Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines shall be made known to all directors and shareholders and other Stakeholders.
- 5.1.3.Principle 3:** Board Committees shall be established to the extent possible to support the adequate performance of the Board's functions, particularly concerning audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. All Committees' composition, functions, and responsibilities should be contained in a publicly available Committee Charter.
- 5.1.4.Principle 4:** To show full commitment to the Company, the directors shall devote the time and attention necessary to perform their duties and responsibilities properly and effectively, including sufficient time to familiarise themselves with the Company's business.
- 5.1.5.Principle 5:** The Board shall exercise objective and independent judgment on all corporate affairs.
- 5.1.6.Principle 6:** The best measure of the Board's effectiveness shall be through an annual assessment process. The Board shall regularly conduct evaluations to appraise its performance as a body and assess whether it possesses the right mix of backgrounds and competencies.
- 5.1.7.Principle 7:** Members of the Company's Board shall be duty-bound to apply high ethical standards, considering the interests of all Stakeholders, including compliance with regulatory requirements.

### 5.2. Integrity of Financial Reporting

**Principle:** The Company shall develop and implement mechanisms to verify the soundness and integrity of its financial statements and ensure the audit of its accounts under the supervision of the Company's Audit & Risk Management Committee.

### 5.3. Disclosure & Transparency

- 5.3.1.Principle 1:** The Company shall establish disclosure policies and procedures that are practical and by best practices and regulatory expectations.
- 5.3.2.Principle 2:** The Company shall establish standards for the appropriate selection of an external auditor and exercise effective oversight to strengthen the external auditor's independence and enhance audit quality.
- 5.3.3.Principle 3:** The Company shall ensure that material and reportable non-financial and sustainability issues are disclosed.
- 5.3.4.Principle 4:** The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel shall serve as a crucial source for investors, stakeholders, and other interested users to make informed decisions.

## 5.4. Internal Control System and Risk Management Framework

**5.4.1.Principle:** To ensure integrity, transparency, and proper governance, the Company shall establish a strong and effective internal control system and an enterprise risk management framework. The Company should set up independent Internal and Risk Management Functions to report directly to the relevant Board Committee.

## 5.5. Ethical Standards

**5.5.1.Principle:** The Company shall establish a culture of ethical behaviour and conduct within the organisation and establish a Code of Conduct that disseminates the Company's ethical concepts and standards to enable the Board and the employees to perform their entrusted roles objectively and with integrity. The Board shall develop appropriate policies and procedures to effectively deal with and/or resolve or minimise conflicts of interest in the interest of the organisation in its business dealings and other interactions.

## 5.6. Shareholder Relationships

**5.6.1.Principle:** The Company shall treat all shareholders fairly and equitably and recognise, protect, and facilitate their rights.

## 5.7. Stakeholder Relationships

**5.7.1.Principle 1:** The Company shall respect the rights of Stakeholders established by law, contractual relations, and voluntary commitments. Where Stakeholders' rights and/or interests are at stake, They shall have the opportunity to obtain prompt, effective redress for violating their rights.

**5.7.2.Principle 2:** The Company shall establish a mechanism for employee participation to create an enabling and cooperative work environment, realise the Company's goals, and participate in its corporate governance processes.

**5.7.3.Principle 3:** The Company shall be publicly responsible in all its dealings with the communities where it operates. It shall ensure that its interactions with its surrounding communities serve its environment and Stakeholders positively and progressively, fully supporting its comprehensive and balanced development.

## 5.8. Corporate Governance Core Principles

### 5.8.1.Three lines Model:

- Governing body:
  - Accepts accountability to stakeholders for oversight of the organisation.
  - Engages with stakeholders to monitor their interests and communicate transparently on achieving objectives.
  - Nurtures a culture promoting ethical behaviour and accountability.
  - Establishes structures and processes for governance, including auxiliary committees as required.
  - Delegates responsibility and provides resources to management to achieve the organisation's objectives.
  - Determines organisational appetite for risk and exercises risk management oversight (including controls).
  - Maintains oversight of compliance with legal, regulatory, and ethical expectations.
  - Establishes and oversees an independent, objective, competent internal audit function.
- Management
  - First line roles*

- Leads and directs actions (including managing risk) and resource application to achieve the organisation's objectives.
- Maintains a continuous dialogue with the governing body and reports on planned, actual, and expected outcomes linked to the organisation's objectives and risks.
- Establishes and maintains appropriate structures and processes for managing operations and risk (including controls).
- Ensures compliance with legal, regulatory, and ethical expectations.

#### Second line roles

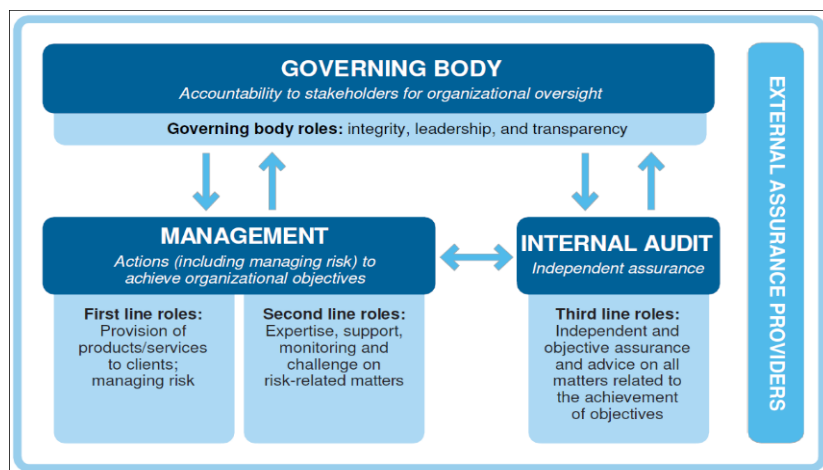
- Provides complementary expertise, support, monitoring, and challenges related to the management of risk, including:
  - The development, implementation, and continuous improvement of risk management practices (including controls) at a process, systems, and entity level.
  - The achievement of risk management objectives, such as compliance with laws, regulations, and acceptable ethical behaviour; controls; information and technology security; sustainability; and quality assurance.
- Provides analysis and reports on the adequacy and effectiveness of risk management (including controls).

#### ➤ Internal audit function (*Represents the third line*)

- Maintains primary accountability to the governing body and independence from management responsibilities.
- Communicates independent and objective assurance and advice to management and the governing body on the adequacy and effectiveness of governance and risk management (including controls) to support the achievement of organisational objectives and to promote and facilitate continuous improvement.
- Reports impairments to independence and objectivity to the governing body and implements safeguards as required.

#### ➤ External assurance providers

- Provide additional assurance to:
  - Satisfy legislative and regulatory expectations that protect stakeholders' interests.
  - Satisfy requests by management and the governing body to complement internal sources of assurance.



### **5.8.2. Conduct and Culture:**

By defining the principles from the Top, the board champions the values of trust, integrity, and good governance. To maximise shareholder value sustainably, these values must be entrenched in AEC's culture and extend into every segment of AEC operations and business activities.

### **5.8.3. Strategic Oversight:**

Directors are key advisors to management, advising on strategic direction, objectives and action plans, considering business opportunities and AEC's risk appetite. In carrying out this oversight role, the board actively sets the organisation's long-term strategic goals, reviews and approves business strategies and corporate financial and capital plans consistent with the strategic goals and monitors AEC's performance in executing strategies and meeting objectives.

### **5.8.4. Risk Oversight:**

The board oversees the frameworks, policies, and systems for identifying and managing business risks and seeks to embed a strong risk management culture throughout AEC. The board actively monitors the organisation's risk profile relative to risk appetite. It seeks to ensure that management's plans and activities provide an appropriate return balance for the risks assumed and are prudently focused on generating shareholder value.

### **5.8.5. Independence:**

Independence from management is fundamental to the board's effective oversight, and mechanisms are in place to ensure its independence.

### **5.8.6. Accountability:**

The board is committed to transparent, comprehensive financial reporting, disclosure, and constructive shareholder engagement. The board has carefully defined the expectations and scope of duties of the board, its committees and management.

### **5.8.7. Continuous Improvement:**

The board is committed to continuously improving its corporate governance principles, policies, and practices. AEC's approach to corporate governance is designed to align the interests of the board and management with those of shareholders, support the board's stewardship role, and enhance the board's ability to safeguard the interests of shareholders through independent supervision of management.

## 5.9. CG Tools and Enablers

The following table demonstrates applicable corporate governance tools that shall exist in AEC:

Area	Tool
Board of Directors and committees.	<ul style="list-style-type: none"> <li>▪ Board Charter.</li> <li>▪ Committees' Charters.</li> </ul>
Legal and regulatory	<ul style="list-style-type: none"> <li>▪ Conflict of Interest Policy.</li> </ul>
Business practices and ethics	<ul style="list-style-type: none"> <li>▪ Policies and procedures manuals for operational and support business functions, matching with leading business practices.</li> <li>▪ Code of Business Conduct &amp; ethics.</li> </ul>
Disclosure and transparency	<ul style="list-style-type: none"> <li>▪ Transparency &amp; Disclosure Policy.</li> <li>▪ Confidentiality Policy.</li> <li>▪ Whistle Blowing policy</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>▪ Company strategy, along with annual revision and update.</li> <li>▪ Annual formal business planning.</li> <li>▪ Process, job key performance indicators, and annual performance evaluations (concerning functions/departments, individuals, executive management, and the Board).</li> <li>▪ Management and Board reporting.</li> <li>▪ Budgeting and budget monitoring/control.</li> <li>▪ Internal and external audit.</li> </ul>

## 6. Corporate Governance Manual

### 6.1. Establishing A Competent Board

- a) The Board shall comprise directors with a collective working knowledge, experience or expertise relevant to the Company's industry/sector. The Board shall always ensure its appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively to enable it to fulfil its roles and responsibilities and respond to the organisation's needs based on the evolving business environment and strategic direction.
- b) The Board shall comprise a majority of non-executive directors who possess the qualifications to effectively participate in corporate affairs, help secure objective, independent judgment, and substantiate proper checks and balances.
- c) The Company shall provide in its Board Charter and incorporate a policy on training its directors, including establishing an orientation program for first-time directors and annual continuing training for all its directors.
- d) The Board shall ensure that a board secretary assists it in its duties. The Board Secretary shall not be a member of the Board.

### 6.2. Establishing Clear Roles and Responsibilities of The Board

- a) The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all shareholders.
- b) The Board shall oversee the development of and approve the Company's business objectives and strategy and monitor their implementation to sustain the Company's long-term viability and strength.
- c) A competent and qualified Chairperson shall head the Board.
- d) The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers, and management to ensure growth and a continued increase in the shareholders' value.
- e) The Board shall align the remuneration of key officers and Board Members with the company's long-term interests. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance.
- f) The Board shall have and disclose a formal and transparent Board nomination and election policy<sup>3</sup>. The process of identifying the quality of directors shall be aligned with the strategic direction of the Company.
- g) The Board shall ensure a company-wide policy and system governing related party transactions and other unusual or infrequently occurring transactions, particularly those that pass certain materiality thresholds. The policy shall include the appropriate review and approval of material or significant related party transactions, guaranteeing the transactions' fairness and transparency.
- h) The Board shall establish a practical performance management framework that will ensure that the performance of Executive Management, including the CEO and other personnel, is at par with the standards set by the Board.
- i) The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Executive Management, Board members, and shareholders. The Board shall also approve the Internal Audit Charter.

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<sup>3</sup> Please refer the AEC Board Charter.

- j) The Board shall ensure that a sound risk management (RM) framework is in place to effectively identify, monitor, assess, and manage key business risks. The risk management framework shall guide the Board in identifying business lines and enterprise-level risk exposures, as well as the effectiveness of its risk management strategies.
- k) The Board shall have a Board Charter that formalises and clearly states its roles, responsibilities, and accountabilities in performing its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions.

### 6.3. Establishing Board Committees

- a) The Board shall establish Board Committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.
- b) The Board shall establish an Audit & Risk Management Committee to:
  1. Enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.
  2. Oversaw a company's risk management system to ensure its functionality and effectiveness.

The Audit & Risk Management Committee should comprise at least three appropriately qualified non-executive directors. All members of the Committee shall have relevant background, knowledge, skills, and/or experience in accounting, auditing, and finance. The Chairman of the Audit & Risk Management Committee shall not be the Chairman of the Board.

- c) The Board shall establish a Nomination and Remuneration Committee to assist the Board in its nomination, remuneration duties, and performance of its corporate governance responsibilities. The committee should have at least three members, one of whom shall be an independent director.
- d) All established Committees shall be required to have Committee Charters that clearly state their respective purposes, memberships, structures, operations, reporting processes, resources, and other relevant information.

### 6.4. Establishing Executive Management

- a) Establish a "tone at the top" that promotes legal compliance and integrity. Management and directors shall never prioritise personal interests over or conflict with the interests of the Company.
- b) Implement an effective strategic management process to manage the organisation's overall direction and mobilise resources to accomplish its mission, vision, goals, strategy, and objectives.
- c) Operate the Company effectively and ethically to produce value for owners. Senior management is expected to know how the Company earns its income and what risks it is undertaking while carrying out its business.
- d) Under the oversight of the Audit & Risk Management committee and the Board, to produce financial statements that fairly present the financial condition and results of operations of the Company and to make the timely disclosures stakeholders need to assess the financial and business soundness and risks of the corporation.
- e) Ensure the CEO's management style and leadership skills are compatible to ensure goal congruence.
- f) Maintain a clear and appropriate division of the principal responsibilities among its senior management (if any) so that It is clear who is responsible for each function. The business and affairs of the Company are adequately monitored and overseen by the directors, relevant senior managers, and governing body, which arranges the division of responsibilities and oversees the establishment and implementation of the Company's systems and controls.

- g) Carry out the Company's strategic objectives within the annual operating plan and budget, which are reviewed and approved by the Board.
- h) Identify and develop strategic plans for the Company, present those plans to the Board through the CEO, implement the plans once the Board review is completed, and recommend and carry out changes to the plans as necessary.
- i) Develop annual operating plans and budgets for the Company and present the plans and budgets to the Board. On approval, implement the annual operating plans and budgets.
- j) Select qualified management and implement an efficient and appropriate organisational structure for the Company's circumstances.
- k) Identifies and manages the risks that the Company undertakes while carrying out its business and manages the Company's overall risk profile.
- l) Identify and maintain the compliance requirements form of compliance registers to ensure compliance with all legal and managerial compliance requirements.
- m) Monitor and report all compliance requirements on time to the Board and Board committees.
- n) Ensure sufficient infrastructure is available for effective governance, risk management and compliance.
- o) Establish, maintain, and periodically evaluate the Company's internal controls and procedures.
- p) Certifying the accuracy and completeness of the Company's financial statements and the effectiveness of the Company's internal and disclosure controls.
- q) Ensure the integrity of the Company's reporting system and the accurate and timely preparation of the Company's financial statements and related disclosures by International Financial Reporting Standards (IFRS) and in compliance with applicable laws and regulations

## 7. Fostering Commitment

- a) The Company's directors shall attend and actively participate in all meetings of the Board, Board Committees, and shareholders in person or through tele-/videoconferencing conducted by the applicable rules and regulations, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Board Committee meetings, the director shall review meeting materials, ask questions, or seek clarifications and explanations if necessary.
- b) The directors of the Board shall not concurrently serve as directors to more than a maximum of five publicly listed companies<sup>4</sup> To ensure they have sufficient time to prepare for meetings fully, challenge Executive Management's proposals/ views, and oversee the Company's long-term strategy.
- c) A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another Company.

### 7.1. Board Independence

- a) The Board shall have at least 20% of its members as independent.
- b) The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.
- c) Separate individuals shall hold the positions of Chairman of the Board and the CEO, and each shall have clearly defined responsibilities. The Chairman of the Board shall have no relationships that may create a conflict of interest between the Chairman's interest and those of shareholders.
- d) A Company director with a material interest in any transaction affecting the Company shall abstain from participating in the deliberations.

### 7.2. Board Performance Assessment

- a) The Board shall have in place a system that provides, at the minimum, criteria and a process to determine the performance of the Board, the individual directors, and the committees. Such a system shall allow for a feedback mechanism from the shareholders.
- b) The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and Committees.

### 7.3. Code of Conduct and Ethics

- a) The Board shall adopt a Code of Business Ethics and Conduct, which would provide standards for professional and ethical behaviour and articulate acceptable and unacceptable conduct and practices in the organisation's internal and external dealings. The Code should be properly disseminated to the Board, Executive Management, and employees.
- b) The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Ethics and Conduct and internal policies.

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<sup>4</sup> The Company's Board members shall not be a Board member of more than 5 (five) public shareholding companies which have head office or primary business offices in Kuwait.

#### **7.4. Enhancing Company Disclosure**

- a) The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable, and timely report to shareholders and other Stakeholders that gives a fair and complete picture of the Company's financial condition, results, and business operations.
- b) The Company shall have a policy requiring Insiders within the Company to disclose/report to the Company any dealings in the Company's shares within the applicable period.
- c) The Company shall disclose its policy governing related parties' transactions and other unusual or infrequently occurring transactions. The material or significant related parties' transactions reviewed and approved by the Annual General Assembly Meeting during the year shall be disclosed in its annual report.
- d) The Company shall entirely, fairly, accurately, and timely disclose to the public every material fact or event that occurs, particularly relating to the acquisition or disposal of significant assets, that could adversely affect the viability or interest of its shareholders and other Stakeholders.

#### **7.5. External Auditor's Independence and Improving Audit Quality**

- a) The Company's Audit & Risk Management Committee shall have a defined process for approving and recommending the external auditor's appointment, reappointment, removal, and fees. The process shall be approved by the Board and ratified by the shareholders. The external auditor's removal and the reasons for removal or change shall be disclosed to the CMA and the public through the Boursa Kuwait and Company website and other required disclosures.
- b) The Audit & Risk Management Committee Charter shall include the Committee's responsibility to assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant standards and regulatory requirements.
- c) The Audit & Risk Management Committee shall be alert to any potential conflict of interest situations that could impair the external auditor's objectivity, given the guidelines or policies on non-audit services.
- d) The Board shall disclose non-financial information in its annual integrated reporting, emphasizing managing its business's economic, environmental, social, and governance issues that underpin its sustainability.

#### **7.6. Efficient Access to Relevant Information**

The Company shall include media briefings and press releases, regulatory disclosures, and other suitable communication channels to ensure the timely and accurate dissemination of public, material, and relevant information to its shareholders and other investors.

#### **7.7. Internal Control System and Enterprise Risk Management Framework**

- a) The Company shall have an adequate and effective internal control system and an enterprise risk management framework for its business, considering its size, risk profile, and complexity of operations.
- b) The Company shall have an independent internal audit function that provides independent and objective assurance and consulting services designed to add value and improve its operations.
- c) The Company shall have a qualified Internal Auditor appointed by the Board. The Internal Auditor shall oversee and be responsible for the organisation's internal audit activity, including the portion outsourced to a third-party service provider.

- d) The Company shall have a separate risk management function to identify, assess and monitor key exposures. The Company's Risk Officer (either In-house function or outsourced consultant) shall have adequate authority, stature, resources, and support to fulfil his/her responsibilities, subject to the Company's risk profile and complexity of operations.

### **7.8. Upholding Shareholder Rights**

- a) The Board shall ensure that fundamental shareholder rights are disclosed in the Shareholders' Rights Policy.
- b) The Board shall encourage active shareholder participation by sending the Notice of Annual and Extraordinary Shareholders' Meeting with sufficient and relevant information per applicable laws and regulations.
- c) The Board shall encourage active shareholder participation by publicly making the result of the votes taken during the most recent Annual or Extraordinary Shareholders' Meeting (the same day). In addition, the Annual and Extraordinary Shareholders' Meeting Minutes shall be available on the Company website and disclosed in accordance with CMA regulations.
- d) The Board shall establish an Investor Relations/ Affairs Department/ Unit to ensure constant shareholder engagement. The Department should be present at each shareholders' meeting.

### **7.9. Recognizing Stakeholder Rights**

- a) The Board shall identify the Company's various Stakeholders and promote cooperation between them and the Company in creating wealth, growth, and sustainability.
- b) The Board shall establish clear policies and programs to ensure the fair treatment and protection of stakeholders.
- c) The Board shall adopt a transparent framework and process that allows Stakeholders to communicate with the Company and obtain redress for violations of their rights.
- d) The Board shall establish policies, programs and procedures that encourage employees to actively participate in realising the Company's goals and governance.
- e) The Board shall set the tone against corrupt practices in its Code of Conduct.
- f) The Board shall establish a suitable framework for whistleblowing, allowing employees to freely communicate their concerns about illegal or unethical practices without fear of retaliation and to have direct access to the Compliance Department to manage whistleblowing concerns. The Board shall be responsible for establishing the whistleblowing framework and supervising and ensuring its enforcement.

### **7.10. Regulatory Compliance**

The Company is committed to adhering to the laws, by-laws and instructions issued by CMA, MOCI, and any other applicable instructions by relevant authorities. The Company strives for a positive relationship with regulatory entities, and is committed to:

- a) Ensuring compliance with effective laws, by-laws, and instructions.
- b) Monitor the Company's exposures and ensure they fall within regulatory limits.
- c) Preparing financial, statistical, and regulatory reports promptly and by regulations.
- d) Fully cooperate with regulators during inspections and submit information and data or present books, records, and instruments required by the regulators for inspection purposes.
- e) Making timely and accurate disclosures as required by regulators.

- f) Ensuring compliance of all the Company's activities with applicable regulatory instructions.

#### **7.11. Relationship with Counterparties/ Vendors**

- a) The Company conducts business affairs with its partners, suppliers, and other counterparties according to the contracted trading terms and conditions fairly and ethically. The Company aims to avoid any dishonest actions that may infringe upon the rights of the Company's counterparties as established by law or through mutual agreements.
- b) The Company shall avoid a situation that might lead to conflicts of interest and will honour any binding commitment it makes.

#### **7.12. Social Responsibility**

The Company shall recognise and value the interdependence between business and society and promote a mutually beneficial relationship that allows the Company to grow its business while contributing to advancing the society where it operates.