

# **CORPORATE GOVERNANCE REPORT FOR YEAR 2019**

## **Composition of the Board of Directors:**

According to the provisions of Article (18) of the Articles of Association of Kuwait Cement Company, which has appointed ten members of the Board of Directors, the Board of Directors of Kuwait Cement Company (KSC) approved the formation of the Council for the current session (2019-2021) at its meeting held on 14 /5/2019 In light of the fifty-first ordinary general meeting of the company's shareholders on 23/4/2019.

Therefore the current Board of Directors composition as follows:

<b>Name</b>	<b>Category (Executive/Non-Executive/Independent), Secretary</b>	<b>Date of Election / Secretary appointment</b>
<b>Rashed Abdulaziz Al-Rashed Chairman of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Dr. Abdulaziz Rashed Al-Rashed Vice Chairman of the Board</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Basil Saad Al-Rashed Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Tamadhur Ahmad Al-Houti Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Khaled Abdullah Al-Rabiah Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Rasha Abdulrahman Al-Melhem Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Ziad Tariq al-Mukhaizeem Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>13/11/2019</b>
<b>Abdullah Mohamad Al-Saad Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Yacoub Yousef Al-Saqer Member of the Board of Directors</b>	<b>Non-Executive</b>	<b>23/4/2019</b>
<b>Yousef Bader Al-Kharafi Member of the Board of Directors</b>	<b>Non-Executive Independent</b>	<b>23/4/2019</b>
<b>AbdulMutaleb Ismael Behbehani</b>	<b>Secretary of the Board</b>	<b>28/12/2015</b>



On 13/11/2019 Mr. Ziad Tariq Al-Mukhaizeem was appointed as a representative of the General Investment Authority in the Board of Directors instead of Mr. Jamal Yousef Al-Babtain based on the letter of the General Investment Authority.

### **Board of Directors' and secretary's qualifications, experiences and positions:**

Board of Directors should be of Kuwaiti nationality also they should have the qualifications and the experiences for their positions, and they are:

#### **Mr. Rashed Abdulaziz Al-Rashed - Chairman.**

- Graduating with bachelors of business administration from Clermont University in United States of America in year 1958, and master of business administration and economy from the same university in 1959.

- He is also a member in Kuwait Cement Company since its establishment in 1968 and the first chairman of the company since convening of the article of association on 20/1/1969 till 1978, Also the Chairman and Managing Director from 1996 till 27/12/2015, and the Chairman since 28/12/2015 till today. He is also Chairman of the nominations & remuneration committee.

His work experience includes many ministries and positions he held:

- Assistant Director of technical affairs at ministry of public works.
- Secretary of state for political affairs.
- Director of political affairs in ministry of foreign affairs.
- Kuwaiti Ambassador for the United Nations (first ambassador).
- Vice president of the general assembly of the United Nations.
- Deputy Foreign Minister since 1967 to 1985.
- Minister of State for Cabinet Affairs 1985 to 1990.
- Participated in many international and national meetings.
- Holding a number of international & national charters.
- In 1990 worked in private business.

#### **Dr. Abdulaziz Rashed Al-Rashed- Vice Chairman.**

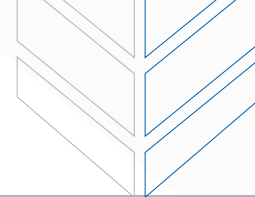
- Holds M.S (master degree) in electrical engineering from Wisconsin university in United States of America.

- Dr. Abdulaziz Rashed Al-Rashed was elected to be Vice Chairman at the Board of Directors meeting dated at 8/11/2017, also he is member of audit committee.

- Chairman of Kuwait Drilling Company.

- Board of Directors' member at Contracting and Marine Services Company.

- Board of Directors' member at National Industries Company.



### **Mr. Basel Saad AlRashed – Board of Directors member.**

- Bachelor of Business Administration from United States of America at 1988.
- He held many management and executive positions also his experience includes working in many companies.

And from the positions he currently occupies:

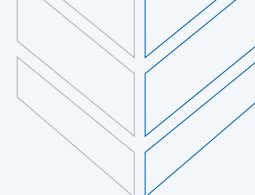
- Board of Directors' member in Kuwait Cement Company representative from Al-Rashed Trading Industry and Contracting Co. Ltd since 1995 till now also holds the membership of the risk management committee.

His previous positions as follow:

- Vice-Chairman of the Board of Directors of Qibla International Real Estate from 2015 until now.
- Vice Chairman of Saad Group Holding Company from 2008 until now.
- General Director of Al-Rashed International Shipping Company from 2007 until 2018.
- Chairman at Hempel paints company from 2007 to 2010.
- Member of national assembly of Kuwait from 2003 to 2006.
- Board of Directors' member for cable for TV Company from 1998 to 2003.
- Director of communications department for Abdulaziz Abdulmohsin Al-Rashed sons. Co from 1992 to 2003.
- Member of the Finance Committee.
- Member of the Financials Statements Committee.
- Chairman of the Environment Committee.

### **Mrs. Tamadhor Ahmad Al-Houti - Member of the Board of Directors**

- BA in Political Science and Economics from Kuwait University, 22/1/1980.
- Certified Human Resources Advisor (CIC) certificate from the Cape Breton University-Canada.
- Mrs. Tamadhor Ahmad Al Houti joined the Board of Directors represented by the General Authority for Investment on 25/4/2018 till today. She is also a member of the Nominations and Remuneration Committee.
- Member of the Board of Directors of a number of companies affiliated with the General Investment Authority.
- Ministry of Finance from June 14, 1980 to June 30, 1984.
- General Authority for Investment from 1/7/1984 until 6/1/1992 management of local and Arab investments.
- From 7/1/1992 until today, Assistant Director of Personnel Affairs at the General Authority for Investment - Operations Sector - Administrative, Financial and Personnel Affairs Department.
- Her previous experience included:
- \* Attend specialized courses in human resources from England and the United States.



### **Mr. Khaled Abdullah Al-Rabiah- Board Directors' member.**

- He hold certificate of Kuwait University in 1977.
- Member of the Board of the Directors of Kuwait Cement Company representative of National Industries Holding Company from 1998 till now, also member of risk management committee.
- General Director of the Gulf International Company for general trading & contracting and in Mohamed Abdullah Al-Rabiah and his partners company.

### **MS. Rasha Abdulrahman Al-Melhem- Board of Directors' member.**

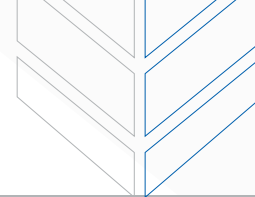
- Bachelor in Business Administration - Finance from Kuwait University in 1997.
- She joined the membership of the Board of Directors as representative of public investment authority since 2015 till now, also Member of the audit committee.
- Currently, the position of Investment Audit Manager at the General Authority for Investment, which includes the internal audit work to design the control of the administrative and financial policies and procedures and the management of local and international portfolios of public investment authority.
- Member of the Board of Directors of a number of companies affiliated to public investment authority locally and externally.

Previous experience included:

- Attending courses for the period from April 1998 to November 1999 in various fields including (financial equations and accounting, corporate finance, macro-economics, credit analysis, securities analysis, financial market projections, project finance, time management, problem solving and decision making., communication skills and writing reports, Financial designs using Excel, stocks and bonds, proposed markets, job training in the management of public investment Authority , financial designs in portfolio management).
- Courses from November 2000 to May 2015 in many areas including (writing reports, operating strategies of the investment fund, preparation and writing of reports, audit, audit plan, English language, portfolio study and investment funds, Methods and basics of internal auditing, Certified Internal Auditor, Finance, Risk Management and Corporate Governance).
- Attend two months of local training programs at Commercial Bank of Kuwait, Kuwait National Petroleum Company, Kuwait Fund for Arab Economic Development, Real Estate Investment Union, and a three months training program at union bank of Switzerland – London.

### **Mr. Ziad Tariq Al-Mukhaizeem- Member of the Board of Directors.**

- MBA from DePaul University, Illinois, USA in 2006.
- Bachelor of Science in Civil Engineering, University of the Pacific, California, USA, 2004.
- Mr. Ziad Tarek Al-Mukhaizeem joined the Board of Directors as a representative of the General Investment Authority on 13/11/2019 until today.



- His experiences (financial and investment) experiences included:
  - Lakewood Capital - Managing Partner - May 2018 to date.
  - Aref Investment Group - CEO - Head of Investment Sector from January 2011 to January 2017.
  - KFH, Investment Manager, from August 2007 to December 2010.
  - KMC & Bovis Lend Lease, Bahrain and Kuwait, including: Planning Manager, Project Manager, and June 2004 to July 2007.
- He has served on the Board of Directors in many companies, institutions and banks, including:
  - The General Foundation for Social Insurance - Kuwait, member of the Investment Committee (2017 to the day).
  - Facilities Real Estate Projects Company - Kuwait - Chairman of the Board of Directors and Chairman of the Executive Committee (2013-2017), Chairman of the Rewards and Nominations Committee (2013-2016).
  - Bank of London and Middle East UK (2013-2017), member of the Audit Committee, Risk Committee and Remuneration Committee.
  - Ibdar Bank Bahrain (2013-2015), member of the Executive Committee.
  - Elenmaa Real Estate Company - Kuwait - (2008-2013), member of the audit committee.
  - Arab Capital Investment and Finance Company - Kuwait - (2010-2012), member of the Board of Directors and member of the Executive and Investment Committee.
- Also a member in a number of companies, funds and committees inside and outside Kuwait.
- He has a number of professional qualifications during his career as associate value specialist, professional project manager (PMP) and certified valuation analyst.

### **Mr. Abdullah Mohamed Al-Saad.**

- Bachelor degree in Business Administration from Cairo University with a good grade in 1969.
- His experience included several positions including:
  - \* Worked at the Ministry of Foreign Affairs as a diplomatic attach in 1970.
  - \* Director of Kuwait Office in Dubai until 1972.
  - \* Acting in Embassy of Kuwait in Abu Dhabi 1973.
  - \* Acting in the Embassy of Kuwait in Nairobi, Kenya, 1974.
  - \* Acting in the Kuwaiti Embassy in Mogadishu / Somalia 1975.
  - \* Completed his work at the Foreign Ministry and returned to Kuwait in 1976.
  - \* Started his Commercial trade 1977.
  - \* Joined the Board of Directors of Kuwait Food Company (Americana) from 1977 until 2017.
  - \* Chairman and deputy member of Sefury Americana International 1984.
  - \* Joined the Board of Directors of Kuwait Cement Company from 1998 until today, and is also a member of the Nomination and Remuneration Committee.
  - \* Member of the Board of Directors of Al-Ahliya Insurance Company from 1999 until today.



### **Mr. Yacoub Yousef Al-Saqer.**

Member of Kuwait Cement Company Board of Directors, represented in National industries group holding since 2007 till date and also head of audit committee.

- Member Board of Directors in Projects Tourism through years from 1976 till 1982 and from 1998 till 2004 , Board member in Warba insurance company from 31/3/1987 till 13/3/1993 , and worked in Directorate General of Civil Aviation from September 1969 till 1/12/2007 gradually through this period to different positions from Researcher , Monitor , Financial and Administration Director Affairs , Vice General Manager at the rank of assistant under-secretary , General manager of Civil Aviation at the rank of Deputy Minister And then head of Civil Aviation at the rank excellence.

### **Mr. Yousef Bader Al-Kharafi :**

- He is a holder of the bachelor degree of Military college from Egypt as of 1957 and certified in theoretical and training study in different sections Ministry of interior in EGYPT in the same year.

- Member of Kuwait Cement Company Board of Directors since year 2007 till date, and head of Risk Management Committee.

- He held for many leadership positions through the service period in Ministry of interior since year 1957 till 1998 from First Lieutenant, Captain, Reconnoiterer , Lieutenant Colonel, Colonel, Brigadier, Major General, Lieutenant General and then advanced to General at 1998. Also he assumed too much of management responsibilities in Ministry of interior from period 22/5/1974 till the date of retirement on 14/11/1998. Head of employees' affairs committee, head of general committee of police affairs, chairman of Police faculty, vice head of emergence committee, Supreme council of traffic, Chairman Officer Club, Assistant ministry under – secretary and then under-Secretary Ministry of interior since year 1981 till the date of retirement in 1998.

### **Mr. Abdulmutaleb Ismaiel Behbehani- Chief Executive Officer-Secretary of Board of Directors.**

- The first employee selected by the Chairman on the second day of the article of association meeting and the formation of the first Board of Directors on 21/1/1969 to do the following:

- Working on the preparation of publications related to the activities of administrative affairs - financial and shares affairs.

- Hiring competent staff and conducting the necessary tests for them to managing as a financial and administrative Director and reasonable for stock affairs officer.

- He was also appointed Secretary of the Board of Directors two years after the establishment of the company.

- Continuous follow-up at the establishment of the plant and preparation of all documents required for operation and stores of materials and spare parts, and the delivery of cement.

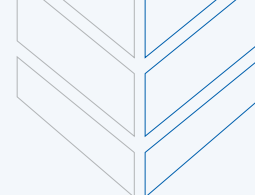
- He has been fully employed by Kuwait Cement Company since 1974 and has been



appointed to the position of Chief Executive Officer and Assistant Secretary General for Financial and Administrative Affairs.

- His experience includes working in several companies, where he heads the Board of Directors of Shuwaikh Cement Company (Shuwaikh crusher), owned by Kuwait Cement Company in Fujairah since 1983 until today.
- Member of the Board of Directors of Gulf Energy Holding Company representing Kuwait Cement Company since 2007 until today.
- Formerly a member of the Board of Directors of Oman Cement / Muscat and a member of the Board of Directors of the Land Transport Company / Kuwait for two sessions representing Kuwait Cement Company From his previous experience:
- Employee at the Ministry of public of which (6) years in construction materials and cement stores, then an employee of the Purchasing Department for (4) years, and then head of purchasing department for a period of (10) years.
- Among his duties was a representative of the Ministry of Works in the meeting of the Central Tenders Committee when the tender tenders prepared by the Purchasing Department were canceled.
- Holds a number of certificates and training courses in statistics / accounting / business administration / warehouse management / procurement management.

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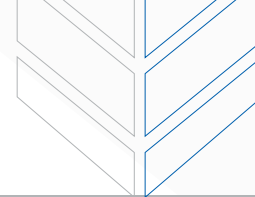


## Kuwait Cement Company (K.P.S.C) Board of Directors meetings during the year 2019.

The Board of Directors has held six (6) meetings during the year 2019, and the following schedule representing the details and Number of the meetings with presence of each member:

Member's Name	Meeting NO.	Meeting NO.	Meeting NO.	Meeting NO.	Meeting NO.	Meeting NO.	Number Of Meetings
	1/2019 Dated 30/1/2019	2/2019 Dated 19/3/2019	3/2019 Dated 14/5/2019	4/2019 Dated 14/5/2019	5/2019 Dated 6/8/2019	6/2019 Dated 13/11/2019	
<b>Rashed Abdulaziz Al-Rashed</b> Chairman of the Board of Directors	✓	✓	✓	✓	✓	✓	6
<b>Dr. Abdulaziz Rashed Al-Rashed</b> Vice Chairman of the Board	✓	✓	✓	✓	✓		5
<b>Basil Saad Al-Rashed</b> Member of the Board of Directors	✓	✓				✓	3
<b>Tamadhor Ahmad Al-Houti</b> Member of the Board of Directors	✓	✓	✓	✓	✓	✓	6
<b>Jamal Yousef Al-Babtain •</b> Member of the Board of Directors	✓	✓	✓	✓	✓	✓	6
<b>Khaled Abdullah Al-Rabea</b> Member of the Board of Directors	✓	✓	✓	✓	✓	✓	6
<b>Rasha Abdulrahman Al-Melhem</b> Member of the Board of Directors	✓	✓	✓	✓	✓	✓	6
<b>Ziyad Tariq al-Mukhaizim •</b> Member of the Board of Directors							—
<b>Abdullah Mohammad Al-Saad</b> Member of the Board of Directors		✓	✓	✓	✓	✓	5
<b>Yacoub Yousef Al-Saqer</b> Member of the Board of Directors			✓	✓	✓	✓	4
<b>Yousef Bader Al-Kharafi</b> Member of the Board of Directors	✓	✓	✓	✓	✓	✓	6





- This Mark (✓) refer to Members of Board Directors presence, and Marking (/) represents the non-appointment of a member of the Board.
- Mr. Jamal Yousef Al-Babtain attended the Board of Directors meetings from No. 1/2019 to No. 6/2019. Mr. Ziad Tareq Al-Mukhaizeem was appointed as a member of the Board of Directors instead of Mr. Jamal Youssef Al-Babtain as a representative of the General Investment Authority, according to a letter from the authority.

### **Recording, coordinating and keeping minutes of the Board of Directors meetings:**

The Board of Directors secretary prepared the registration requirements and kept for the minutes of the Board of Directors of Kuwait Cement Company and record it in a special register containing information on the agenda of each meeting, its date, venue, starting and ending timing, each meeting has a serial number according to the year. Further, special files are prepared in which the minutes of the meetings are kept, and the deliberations and discussions held in the meetings, Members of the Board are furnished with the agenda, supported with the relevant documents, by a sufficient time in advance in order to permit the members to study the agenda items. The minutes of the meeting are signed by all those present and the Secretary, Minutes of the meetings held by passing are signed by all members. The secretary acts for the proper coordination and distribution of information among the members.

### **The tasks policy and responsibility for the Board of Directors, Duties of each member of the Board of Directors and the executive management as well as the authorities has been mandated to the executive management:**

The List of tasks and authorities for Board of Directors described that's was approved by Board of Directors as of 15 /11/ 2016 to afford the Board of Directors all responsibilities for the Company in addition to put the strategic goals for the Company , Risk strategies and the governance standers and supervisions responsibility on executive management and keeping for the shareholder rights , creditors , employees and all of stakeholders, making sure the company's management are effectively and within framework regulators, article of association, Regulations and company's internal policies . The following is a brief for the general duties for Board of Directors:

- The final responsibility for the company's operations and financial position safety, completion the requirements of Capital Market Authority, keeping for the shareholder rights, Minority, Creditors, Investors, Clients, Employees, stakeholders related and ensure the company's management in a wise manner according to the law, Regulation, policies and internal procedures in force.
- Ensure the related parities transactions are reviewed and making sure the honestly and clearly of these transactions.
- Approval of the objectives, strategies, plans, important policies for the company that's included at least:
  - Approve the Interim and Annual financial information.
  - Supervision of the substantial of expenditure expenses for the Company, the assets ownership and the disposals.



- Ensure the company commitment in policies and procedures which included company respect for the organize and internal regulation in force.
- Guarantee the accuracy and clearly the financial information that's must be disclosed as per policies and mechanism of disclosure & integrity in force.
- Composition of Specialized committees according to the charter clarify the time of committee, Authorization and responsibility and the Board of Directors Monitoring.
- Ensure that Company's organization structure characterized to integrity and clarity to make a decision and achievement the governance principles and segregation of responsibility and powers between the Board of Directors and the executive management.
- Determine the powers that's authorized to executive management and the procedures of decision making and also duration of authorization. The Board determine also the topics that's safety authorization for decision making.
- Monitoring and supervising the performance of executive managements and ensure from the responsibilities due to them.

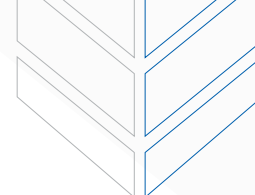
Also the Board of Directors approved the policies and procedures for executive management duties and the following is summery of the general duties for executive management:

- Company's business administration and submit the guidance to executive department to be match with company strategic goals and the policies that determined by Board of Directors and laws and other legislation award related to the company's business and activities.
- Providing the Board of Directors by accurate annual reports for the financing positions, it's business and procedures taken in risk management and internal control system, to enable Board of Director review the goals, plans and policies implemented and asking for the performance of executive management.
- Providing the Board of Directors by suggestion mechanism of special Recommendations that's necessary to company business.
- Providing the Monitoring Authorities for any information and required documents according to laws award, systems, instructions and the decisions issued for any of them.

### **The Board of Directors achievements during the year 2019.**

Kuwait Cement Board of Directors keenness to follow up the plans implementation and strategic goals that's setting up continued communication the executive management to achieve its goals and compliance with legal instruction from Capital Market Authority and full compliance with the requirements of corporate governance rules and adherence to the strategy work approach inside the company, The most significant achievements of the Board of Directors during the year 2019:

1. The Board of Directors approved the purchase of equipment used to shred used tires and burn them in clinker production Kilns.



2. Follow up company work with the executive management and discuss all of the topics that's related to company financial, administrative and technical work, and its effect on business and production after reviewing the executive management studies.
3. Reform the three committees of the Board of Directors for the current session(2019-2021), and review the minutes of the sessions of these committees for the year 2019.
4. Review and approve the results of the work of the audit committee and the recommendations submitted by it regarding the company's interim and annual financial statements.
5. Viewing the external quality assessment report of the internal audit unit in accordance with the requirements of the Capital Markets Authority submitted by an independent external consulting office.
6. Approving the annual reports including the corporate governance report and the audit committee report.
7. Approval to reappoint the external auditors, Messrs. BDO Al-Nisf & Partners and Messrs. Al-Salheya auditing office (Prime Global).
8. Review reports and recommendations issued by the Nomination and Remuneration Committee, including the annual evaluation process for members of the Board of Directors and Executive Management.

## Board of Directors committees:

According with the Board of Directors decision No. 1277/3/2019 as of 14/5/2019, three specialized committee were formulated from the Board of Directors for three years ending at the end of the current period of Board of Directors (2019 – 2021) this committees are:

### 1- Audit Committee:

Audit committee held (4) Meetings during the year 2019 and the following schedule is represented to the committee formulated and meeting details:

Member's Name	Title	Category	First 19/3/2019	second 14/5/2019	Third 5/8/2019	Forth 12/11/2019
Yacoub Yousef Al-Saqer	Head of the committee	Non- Executive	✓	✓	✓	✓
Dr.Abdulazizi Rashed Al-Rashed	Member	Non- Executive	✓	✓	✓	✓
Yousef Badr Al-Kharafi	Member	Non- Executive – Independent	✓	✓	✓	✓
Rasha Abdulrahman Al-Melhem	Member	Non- Executive	✓	✓	✓	✓

This Mark (✓) is referred to the presence of the Head of Audit Committee and Members.

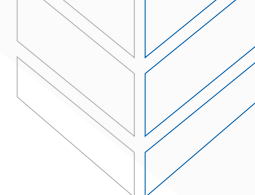


## **The Tasks of committee:**

This committee performs its monitoring role which is lending assistance and support the Board of Directors in his responsibilities towards the representation of shareholders with respect to the correctness and integrity of the financial statements and supervision, auditing the company's accounts and financial statements for the company and the internal controls and risk management, setting the policy of contracting with external Auditors and ensuring from the independent and integrity of the external auditor, effectiveness of the internal control system and its effectiveness as per the approved audit standards through the audit work carried out by the company's internal audit unit. In addition to ensuring the company's compliance with the rules of professional conduct, and the guarantee of implementing laws and policies, systems and relevant instructions and approval as per the approved policies from Board of Directors in this field.

## **The most significant Achievements of audit committee during the year 2019:**

- 1- Discussion and approve the reports from internal audit manager according to the approved audit plan at 2019.
- 2- Review annual and interim financial information, submit the opinion and recommendations to Board of Directors.
- 3- Periodically meetings with the external auditor and discuss with them any Pending and notes appeared during the audit period.
- 4- Prepare and approve the audit committee report to be represented to company shareholders through holding general assembly meeting for shareholders.
- 5- Discussing the report submitted by the independent consultancy office for the external quality evaluation of the internal audit unit in accordance with the requirements of the Capital Markets Authority.
- 6- Ensuring the independence of the internal audit unit and that all internal audit activities were safe from any interference in determining the scope of the audit, carrying out audits or reporting the results of the audit work to the committee.
- 7- Discussing developments on previously submitted reports to ensure that all departments adhere to the approved recommendations.
- 8- Recommend to the Board of Directors to appoint or reappoint the auditor.
- 9- Approving the 2020 audit plan submitted by the Manager of the Internal Audit Unit.



## 2- Risk Management Committee:

Risk Management committee held (4) Meetings during the year 2019 and the following schedule is representing to the committee formulated and meetings details:

Member's Name	Title	Category	First 18/3/2019	second 6/8/2019	Third 13/11/2019	Forth 11/12/2019
Yousef Bader Al-Kharafi	Head of the committee	Non- Executive – Independent	✓	✓	✓	✓
Basel Saad Al-Rashed	Member	Non- Executive	✓		✓	✓
Jamal Yousef Al-Babtain •	Member	Non- Executive	✓	✓	✓	
Khaled Abdullah Al-Rabea	Member	Non- Executive	✓	✓	✓	✓

• This Mark (✓) is referred to presence of head of the risk management committee and Members.

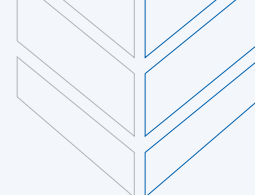
And the mark (/) represents the non-appointment of a member to the council.

• The membership of Mr. Jamal Yousef Al-Babtain was terminated on 13/11/2019, according to a letter from the General Investment Authority.

### The Tasks of committee

This committee assumes the responsibility of assisting the Board of Directors in its tasks of managing risk by advising and review the strategies and policies of risk management prior to being endorsed by the Board , as well as ensuring the implementation consistent with the nature and size of the company's business in addition to evaluating the system and mechanisms of determining , measuring and monitoring the types of risks which the company could be exposed to, as well as identifying and rectifying the shortcomings therein in order to avoid any losses that may occur , and to submit recommendations to the Board of Directors to take appropriate corrective actions

It is worth mentioning that the company has sought assistance from one of the consultancy offices approved by the Capital Market Authority in order to help in identifying the types and nature of the risks which the company could be exposed to, preparation a record thereto and submitting semi-annual reports to preserve the company's assets, and ensuring the continuity of conducting it's activity positively.



### The most significant Achievements of risk management committee during the year 2019:

- 1- Review the risk valuation report that's submitted from consultancy office.
- 2- Meet regularly with the consulting office and discuss any comments and outstanding.
- 3- Supervising and controlling the work of the risk management unit.

### 3- Nomination and remuneration committee:

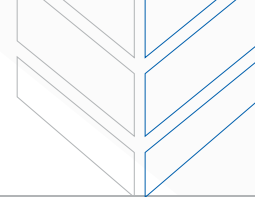
Nomination and remuneration committee held one Meeting during the year 2019 and the following schedule is representing to the committee formulated and meetings details:

Member's Name	Title	Category	First 19/3/2019	second 13/11/2019
Rashed Abdulaziz Al-Rashed	Head of the committee	Non- Executive	✓	✓
Tamadhor Ahmad Al-Houti	Member	Non- Executive	✓	✓
Abdullah Mohamad Al-Saad	Member	Non- Executive	✓	✓
Yousef Bader Al-Kharafi	Member	Non- Executive – Independent	✓	✓

- This Mark (✓) is refer to presence head and the Meeting committee members.

### The Tasks of Committee:

This committee assumes the responsibility of assisting the Board of Directors in its tasks of nominating and remunerating the Board's members and executive management , reviewing the scope and plan of remuneration applicable at the company , preparing a separate annual report on all remunerations granted to the Board members and the executive management whether in cash , benefits or privileges ,moreover , the committee assumes the responsibility of ensuring autonomy of the independent Board member In addition to supervising the evaluation of the members of the Board of Directors and the executive management.



## **The most significant Achievements of nomination and remuneration committee during the year 2019:**

- 1- Preparation annual report for all the remunerations and benefits that's granted to Members the Board of Directors, executive management and employees and send the report to Board of Directors to approval.
- 2- Supervision in annual valuation for members of Board of Directors and executive management.
- 3- Review and ensure of Non-absence for Board of Directors member independence.

## **The general framework for evaluating the performance of the board of directors and executive management.**

A clear and comprehensive mechanism has been set up to conduct the annual evaluation process for members of the Board of Directors and Executive Management based on an objective basis that measures performance in a general, neutral and objective manner, the evaluation is carried out through the Nomination and Remuneration Committee.

## **The mechanism of obtaining Board of Directors on the information and data accurately in the right time.**

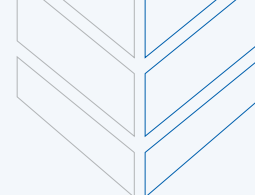
The company provide the mechanisms and tools which enables Board of Directors to obtain on the required information and data in the right time, and that is through developing the information technology environment inside the company, as well as create direct contact channels between secretary of Board of Directors and Board of Directors, also provide special reports in the meetings with high degree of quality and accuracy and that before enough time to discuss it and take decision about it.

## **Remuneration report granted to members of the Board of Directors and executive management.**

### **- Rewards and incentives policy.**

The remuneration policy pursued by the company is in line with the specific strategic objectives that aim to attract, retain and motivate all its employees, especially those with scientific and professional competence, skills and knowledge, which is reflected in the enhancement of risk management and ongoing profitability, taking into account all relevant laws.

The Nomination and Remuneration Committee works within the framework of that policy and in accordance with the applicable annual performance and evaluation rates, as it recommends rewards to both the Board of Directors and the Executive Management taking into account the company's success in achieving its goals and in line with the Companies Law Article No. (198) and Article No. (29) Of the system the basic principle of Kuwait Cement Company, and it is the responsibility of the Board of Directors to take final decisions in approving these bonuses and incentives.



## - Remuneration of the members of the Board of Directors.

The total remuneration of the members of the Board of Directors for the fiscal year ending on 31/12/2019 amounted to ZERO Kuwaiti dinars for their membership in the Board of Directors and amounted to 179,000 Kuwaiti dinars for their membership in the committees emanating from the Board of Directors.

## - Remuneration of the Executive management and financial manager:

The table below shows the remuneration details in Kuwaiti Dinar:

Staff Categories	Number Of Staff	Salaries & Privileges	Annual Remuneration
Executive management & Financial manager	9	348,926	268,000

The remuneration are subject to the approval of the shareholders' general Assembly

Nominations & Remunerations Committee  
Kuwait Cement Company

1<sup>st</sup> of April 2020

## Board of Directors and executive management written pledges for the amendments financial reports safety and integrity.

In line with the requirements of corporate governance, the Executive Management has submitted a declaration and undertaking on its responsibility towards the Board of Directors with respect to presenting the annual financial statements and reports, as well as the correctness, accuracy and inclusiveness of the information and data contained therein and also its attachments, and that such financial statements and reports are presented in a correct and fair manner according to the international accounting standards. After discussing and endorsing the financial statements, the Board of Directors in turn presented a declaration and undertaking on the financial reports as well as its responsibility for the correctness and integrity of all annual financial statements and reports of the Company.

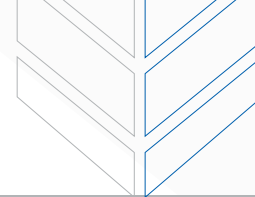
## Independency and impartiality of external auditors.

On 23/4/2019 the company ordinary public assembly had approved for re-appointed Messrs. BDO Al-Nisf & Partners and Messrs. Al-Salheya auditing office (Prime Global) for 2019 as external auditors and both of them is certified and registered in Capital market authority register, also both of them have full independency from the company and its Board of Directors.

## Internal audit unit.

The internal audit unit enjoys full technical independence and follows the audit committee. The internal audit unit provides assurances and advisory services with a view to adding value to the company and improving its operations. The audit unit also helps in achieving the company's goals through a systematic approach to assess and improve the effectiveness of governance, risk management and control processes, As has been Appointment of the Director of the Internal Audit Unit on 20/6/2016.





## **Risk Management Unit.**

In light of the company's keenness to abide by the instructions issued by the Capital Markets Authority, the Board of Directors adopted its decision No. 1264/6/2018 by agreeing that the risk management unit should be directly affiliated to the Risk Management Committee, according to Resolution No. 124 of 2018 (No. 124) Issued by the Capital Markets Authority, furthermore the director of the Risk Management Unit was appointed on 20/6/2016.

## **Preciseness and internal control systems.**

- The company depend on a group of preciseness systems and internal control that covers all company's activities and its management, as well as systems and rules is keeping the company financial position safe and its data accurate and its operations efficiency from various aspects, also the organizational structure in the company reflects on dual control systems(four eyes principles) and it contains the right specifications for responsibilities and authorities full separation for duties and avoids conflict of interest, double test and control.
- Auditing committee in the company reviewing on internal audit management activities in the company and discuss its reports to ensure the safety, sufficiency and effectiveness of preciseness systems and internal control.
- Emanating from Kuwait Cement Company's keenness to comply with the requirements of corporate governance - 15th Edition - Articles 9 – 6, an independent consultancy office approved by the Capital Markets Authority was commissioned to review the Company's Internal Control Systems (ICR).

## **Professional Conduct and Ethical values guidance.**

The company applying the prepared system for the codes and ethics of professional conduct of the Board of Directors, executive management and staff which including the general rules for professional ethics and covered a wide range of procedures and practices while consistent with regulatory requirement, relevant legislation and local customs to limit the incidences of conflict of interest. For this purpose, the Board is keen on implementing the highest standards and values that provide integrity to the Company as whole, the Executive Management and the staff, as they indicate the codes of conduct and ethical standards to be followed by the various stakeholders in the course of executing the Company's business. The Board of Directors also assumes the task of monitoring and managing any potential conflict of interest which the Company may encounter, including the exploitation of the Company's resources and the misuse of jurisdictions and powers.

## **Transparency and disclosure of information:**

The Company is committed to provide accurate, complete and updated information to the shareholders, in line with the legislative and regulatory requirements within the framework of transparency. The Company guarantees implementing integrated practices and procedures on disclosure of substantial information, and the possibility of providing the public with the announced information instantly and accurately.



## **Register of Board Members and Executive Management disclosures.**

The company has prepared a record of the disclosures of members of the board of directors and the executive management, and this record is updated immediately in the event of any disclosure by members of the board or the executive management, and the shareholders of the company are entitled to see the record during the official working hours without any fees.

## **Shareholders affairs (investors' affairs).**

The company committed to develop policies and procedure for fairly representing the company in which the current and potential investors be informed of substantive decisions that taken by the company, also shareholders affairs department in the company have the necessary independence, as it working to provide information, data and reports in the right time and by necessary accuracy through tools of disclosure commonly known.

## **Information Technology Infrastructure in the Company**

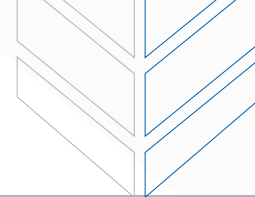
During 2019, the company developed the company website in line with the requirements of the Capital Markets Authority as well as singled out a section for corporate governance from the website, in addition all informations, data, financial reports , disclosures and others on the company's website are added and these informations updated as soon as it is available to the company.

## **General rights of shareholders and limit conflict of interest cases.**

The policy of the relations and rights of stakeholders and shareholders was approved by the Board of Directors on 15/11/2016, which the guide states that all shareholders of the company have general and clear rights as following:

- Disposal of shares from registration, transfer or transfer of ownership.
- The right to review and participate in decisions regarding the amendments of the articles of association and articles of association of the company, as well as decisions regarding unusual transactions that may affect the company's future or activity, such as mergers and sale of a large part of its assets or liquidation of subsidiaries.
- The right to receive dividends, participation and voting at the General Assembly meetings.
- Shareholders' rights to be treated on an equal basis and to give them the opportunity to rectify any abuse of their rights.
- Shareholders who own 5% and above of the company's capital have the right to add items to the agenda of the general assembly.

A special register was also provided to the Kuwaiti Clearing Company, listing the names, nationality, home and number of shares owned by the Kuwait Clearing Company, Any changes in the data recorded in this register shall be recorded in the register as received by the Company or the Kuwait Clearing Company, Any interested party may request the Company or the clearing company to provide him with data from this register.



In addition to the above policy, the Company's Articles of Association clarify the above in line with the requirements of the capital market authority and the regulatory bodies.

There is a related party transaction policy that clarifies the guiding principles on how to execute and manage dealings with the affiliated parties, whether such dealings are between the Company and the Board members, or with its subsidiaries, affiliated parties, Executive management or staff. Such policy abides by the regulatory standards as well as the international accounting standards for financial reporting.

### **Meeting of the General Assemblies of the Company.**

Kuwait cement Company is keen to organize meetings of the general assembly of shareholders as set forth in the corporate governance rules, laws and rules regulating the same. The agenda items shall include the minimum items required according to the rules. Details and information of the agenda shall be furnished to shareholders in advance of the date of holding the assembly by a sufficient time. Shareholders are permitted effective participation in the general assembly meetings, discussion of the topics listed therein and raise questions. Further, the company is keen that all shareholders practice the right of voting without any hurdles.

### **Stakeholder's rights.**

The company has set clear policies and procedures in the management of open dialogue and communication with its stakeholders, transparency in communicating with them and the level and degree of information that can be disclosed. The rights of stakeholders include, but are not limited to:

- The right to be treated on a fair and equitable basis.
- The right to compensation in the event of any violations of their rights.
- The right to obtain relevant company information that is necessary for the stakeholders.
- Inform stakeholders of the company's violations reporting program and should provide them with adequate protection in accordance with the requirements of the violations policy.

### **Training programs and courses.**

Kuwait Cement Company guarantees to all members of the Board of Directors and executive management the required training courses needs in order to increase the skills and knowledge to achieve a better level of management and competence at work. During the year 2019, a training program for all members of the Board of Directors was organized on the rules of corporate governance in accordance with the requirements of the Capital Market Authority. At the end of the program, the board members received the certificate of attendance approved by the coordinator and presenter of the program Humanfox.

### **• Institutional values of the Company personnel.**

The Kuwait cement company Board of Directors on 15/11/2016 outlined in the professional and ethical code of conduct the fundamental principles which creates corporate values



on the basis that the company's reputation is based on the behavior of the Board members, executive management and staff. Everyone should play a role in safeguarding the Company reputation by compliance with the highest ethical standards. The Board of Directors assumes the responsibility of laying down the criteria and specifications of the company's ethical values. Each member of the senior management and staff shall assist to enforce this manual as part of his function and ethical responsibility and report any violation to the Board of Directors.

- **The company contribution for social Responsibility and environmental conservation.**

Among the other similar companies, Kuwait Cement Company has been the pioneer in lending attention to social responsibility, where the Company is seriously striving to abide to by developing and deepening its role in the society, and by realizing social development as one of the key aspects of its mission and objectives. Among the key achievements of the Company, for example but not limited to, are the following:

**Project on utilizing the used tires as source of conventional fuel in the kilns for Clinker production:**

As part of Kuwait Cement Company's efforts from many years to benefit from the use of used tires as a source of alternative fuel in clinker production Kilns, during 2019, the company obtained the approval of the General Authority for Industry and the Public Authority for Environment to shred and burn used tires.

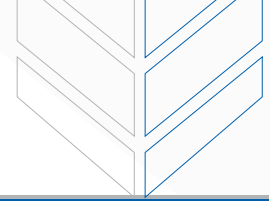
Kuwait Cement Company seeking to maintain the sustainable development of its factories with its burning Kilns, and the possibility of using these Kilns to burn municipal solid waste and the many benefits that will accrue to the country and society from achieving this goal. Where the company seeks to be one of the environmentally friendly industrial enterprises and companies,

The company's vision in its social responsibilities remains the balance between the development of the local industry for the cement material and providing it to the local market with sufficient types and the preservation of a healthy environment and take care of the safety and environmental surroundings, and to ensure sustainable development of the cement industry, in line with the state of Kuwait.

**Company's attainment of the quality mark and ISO 9001: 2015 certificate**

Kuwait Cement is the only national company that manufactures the cement product as complete in the State of Kuwait, hence, it shoulders the responsibility of meeting the needs of all citizens, government projects and others. As such, the Company has been striving to continue providing a product of global efficiency and quality.

In order to enhance confidence and ensure standard specifications for quality control, the Company has attained the Quality Mark from the Public Authority for Industry for its cement products. Moreover, in year 2012, it attained the ISO 9001:2015 certificate for Quality Control, By DNV-GL, an independent organization that conducts field visits to follow up



and test the working mechanisms and to view the infrastructure and technical processes. The company follows strict procedures in the application of all international standards in terms of its fields of operation and conforms to internationally approved standards, Technological means and the best and finest types of raw materials for the cement industry and the establishment of a special culture that will contribute to the development of the appropriate work system and develop in a manner that is compatible with the company's strategy at the environmental level by giving special importance operations, which distinguish our products from cement high quality, strength and stability of the specifications and granting worthily excellence and leadership over the past fifty years under the slogan (Quality means .... Kuwaiti cement), and the adoption of the General Organization for Housing Welfare and the Ministry of Public Works for its products from the national cement product.

In order to meet the needs of the local market of all types of cement, on 6/12/2018, the company obtained the quality certificate approved by the American Petroleum Institute (API), which allows it to produce Oil Well Cement with special specifications for use in the oil fields and petroleum services to make this type of cement a new addition to the product group of Kuwait Cement Company. This is in line with the company's objectives in developing the cement industry in Kuwait and offering the new and distinctive Kuwaiti market of high quality cement products. The company has launched an advertising and promotional campaign in local and foreign newspapers and in social networking sites about this product and its readiness to supply petroleum well cement to the specialized companies that use this type of cement in the projects under implementation.

Quality Mark Logo



ISO 9001:2015 LOGO



### **National Cadres Training:**

In response to the request of the Kuwait Fund for Economic Development to implement a field training program for one of its graduate engineers at the Kuwait Cement Factory in Shuaiba Industrial Area during 2019, furthermore their choice of Kuwait Cement Company as one of the chosen models in the industrial sector because of its important role in serving the national economy by providing strategic cement to the country, and based on the social responsibility of the company towards the dear sons of the homeland.

Direct coordination was made between the company and the Kuwaiti Fund regarding the field training program for training in various work locations inside the cement factory in accordance with its scientific specialization.

### **Implementation of training programs for national workers in the Company.**

Kuwait Cement Company seeks to raise the level of performance of its Kuwaiti employees, develop their skills and raise their job and cognitive capabilities to increase their affiliation and motivate them to work, through programs and courses that suit the needs of its work, believing in the importance



of the Kuwaiti element and its active participation in building the country. Where the Company in coordination with the General Authority of Manpower trained a number of Kuwaiti employees who are responsible for their work in the general management of the Company, within the framework of distinguished training programs held in the offices of the Company in Cement House building, first Program : “Integrated system for the service of workers and excellence in the quality of service and the skills of dealing with customers and auditors in accordance with the quality curriculum.” The second program: “Accounting for the non-accountant.

Kuwait Cement will continue to follow this approach periodically, which reflects positively on improving performance and quality in the business, and for the benefit of the Company and its shareholders.



A group photo on the sidelines of the “successful evacuation in the “Cement House



### **A fake evacuation in the main building of the Public Administration “Cement House”.**

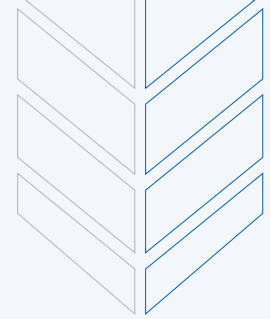
In light of the keenness and interest of Kuwait Cement Company in adhering to its social responsibility, considering this as one of the main aspects of the company’s mission and goals, The company implemented by the end of October 2019, in coordination with the Ministry of Interior and the presence of officials in the General Administration of Civil Defense, a successful evacuation drill experiment for all of its employees and tenants in the building, The immediate response of all those present in the building to the experiment data and dealing with them according to the required conditions, as the result of the evaluation by the General Administration of Civil Defense was «excellent».

Kuwait Cement Company confirms that the evacuation drill experiment comes from its duty and responsibilities towards its employees, tenants and pioneers of the Cement House building, And in order to raise the level of preventive awareness in the safety and security procedures for all who are in the building and how to deal if the emergency situations had occurred.

Rashed Abdulaziz Al Rashed  
Chairman of the Board

Bulk terminal for storage and sales of bulk cement at west shuaiba industrial Area - Mina Abdullah





## **BOARD OF DIRECTORS DECLARATION AND ACKNOWLEDGMENT CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS OF KUWAIT CEMENT COMPANY FOR YEAR 2019**

The Board of Directors of Kuwait Cement Company K.S.C.P declares its responsibility for the reliability and integrity of all consolidated annual financial reports and statements which include the consolidated financial positions, consolidated income statements, consolidated comprehensive income, consolidated statements of change in equity, consolidated cash flow statements, and notes to the consolidated financial statements as of 31 December 2019, and that they have been prepared according to the international accounting standards approved by the Capital Market Authority, and that the company keeps the accounting records and documents appropriately. Also, its responsibility for providing an effective control system in the company, and that the Board members bear the responsibility if any of the company's consolidated financial reports and statements fail to honestly reflect its actual consolidated financial positions as well as the results of its business and its consolidated cash flow.

Moreover, the Board of Directors declares that the executive management has made available for auditors all the reports, records, documents and information necessary to conduct the audit on the company consolidated financial statements, and enable them to examine all the papers and documents, and also made available all the information the auditors deemed necessary to carry out their task. They also declared that the company's consolidated financial statements reflect honestly and clearly the actual consolidated financial position of the company, as well as the results of its business and its consolidated cash flow.

Furthermore, the Company's Board of Directors acknowledges the correctness, accuracy and completeness of the information and reports revealed in the company's consolidated financial reports and statements as well as its attachments, and that they were presented properly and fairly, and that they are considered in accordance with international accounting standards approved by the Capital Markets Authority.

Rashed Abdulaziz Al-rashed  
Chairman



Side view for the Pre-heater buildings for both the first and second clinker production lines

