



Corporate Governance Report

For the year ending on 31 December 2020

United Projects for Aviation Services Company KSCP

INTRODUCTION

United Projects for Aviation Services Company KSCP (“UPAC”) is committed to implementing the rules of governance in accordance with the laws and regulations of the regulatory bodies, in particular Book 15 (Corporate Governance) of the Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority (CMA) and regulating securities activities and their amendments.

The Company believes that practices managed within the framework of governance are the basis for achieving the Company’s main objectives, creating sustainable value, enhancing the role of internal control, and activating integrity and transparency in the workplace. In doing so, (“UPAC”) ensures that the governance framework meets the relevant regulatory requirements set by the CMA, and thus maintains trust amongst its shareholders and stakeholders alike.

In the performance of its functions, the Board of Directors supports a number of different committees: the Risk Committee, the Audit Committee, the Remuneration and Nominations Committee, as well as the role of Executive Management.

Table of Contents

Pillar 1: Construct a Balanced Board Composition	4
1.1 Board Composition	4
1.2 Meetings of the Board of Directors	5
1.3 Register, Maintain and Coordinate Board of Directors’ Minutes of Meetings.....	5
Pillar 2: Establishing Clear Roles and Responsibilities	6
2.1 Duties and Responsibilities of the Members of the Board of Directors and Executive Management	6
2.2 Board of Directors’ Achievements during the Year	7
2.3 Forming Specialized Independent Committees	7
2.4 Provides Members of the Board of Directors with Accurate and Timely Information and Data	10
Pillar 3: Selection of Qualified Candidates for the Board of Directors and Executive Management	10
3.1 Formation of the Board Nomination and Remuneration Committee (BNRC)	10
3.2 Report on the Board of Directors and Executive Management Remuneration	10
Pillar 4: Ensure the Integrity of Financial Reporting	10
4.1 Soundness and Integrity of Financial Reporting	11
4.2 Audit Committee	11
4.3 Recommendations of the Board Audit Committee and Resolutions of the Board of Directors	11
4.4 Safeguarding the Independence and Impartiality of the External Auditor.....	11
Pillar 5: Applying Sound Systems of Risk Management and Internal Audit	11
5.1 Establish an Independent Unit for Risk Management.....	11
5.2 Risk Management Committee	11
5.3 Internal Audit Systems and Controls.....	12
5.4 Independent Unit for Internal Audit and Controls.....	12
Pillar 6: Promote Code of Conduct and Ethical Standards	12
6.1 Code of Conduct and Business Ethics	12
6.2 Mitigate Conflicts of Interest.....	12
Pillar 7: Ensure Timely and High Quality Disclosures	13
7.1 Accurate and Transparent Disclosures	13
7.2 Disclosure Records for Members of the Board of Directors and Executive Management	13
7.3 Formation of an Investor Relations Unit.....	13
7.4 Development of a Solid Information Technology Framework.....	13
Pillar 8: Protection of Shareholders’ Rights	13
8.1 Protection of Shareholders’ Rights	13
8.2 Shareholders’ Information	13
8.3 Participate and Vote in the Company’s General Assemblies	13
Pillar 9: Recognize the Roles of Stakeholders	14
9.1 Protection and Recognition of Stakeholders’ Rights.....	14
9.2 Stakeholders’ Incentives to Participate in Tracking the Various Activities of the Company	14
Pillar 10: Encourage and Enhance Performance Improvement	14
10.1 Continuous Training Programs.....	14
10.2 Evaluation the Performance of the Board Members and Executive Management.....	14
10.3 Board of Directors’ Effort towards “Value Creation”	14
Pillar 11: Importance of Corporate Social Responsibility	14
11.1 Balance between the Objectives of the Company and of Society	14
11.2 The Company’s Efforts within Corporate Social Responsibility	14

Pillar 1: Construct a Balanced Board Composition

1.1 Board Composition

United Projects for Aviation Services Company's KSCP ("UPAC" or "Company") Board of Directors is comprised of five members, all of whom have been elected/appointed in line with the applicable provisions of the Company's Memorandum of Association and the Articles of Association of the Company, as well as in conformity to the Companies Law No. 01 of the year 2016 and its Executive Regulations. All members hold the relevant educational qualifications and professional experiences to carry out their responsibilities dutifully and professionally, in addition to being wellversed with the relevant corporate laws and regulations. The formation of the relevant Board Committees ensures that the composition of each Committee accurately reflects the experience and educational qualifications of each member in accordance with the allocated tasks and responsibilities of each Committee.

Members of the Board of Directors

Sl.	Name	Capacity	Board Member	Date Elected/Appointed
1	Tarek Al-Mousa	Chairman	Non-Executive Member	April 2018
2	Nadia Akil	Vice Chairperson	Executive Member	April 2018
3	Zuhair Al-Zamel	Board Member	Independent Member	April 2018
4	Majed Al-Ajeel	Board Member	Non-Executive Member	April 2018
5	Hassan El-Houry	Board Member	Non-Executive Member	April 2018

The Secretary of the Board of Directors has been reappointed by Board Resolution No. 03/18 dated 30 April 2018 in order to carry out the roles and responsibilities assigned to him.

Educational Qualifications and Experience of the Board Members

Sl.	Name	Educational Qualifications	Experience
1	Tarek Al-Mousa Chairman of the Board of Directors	Bachelor's degree in Mass Media and Sociology from the University of Evansville, Indiana.	As Chairman, Tarek Al Mousa provides leadership to the Board of Directors and acts as a direct liaison between the board and executive management. He also oversees the Company's corporate governance program and aims to protect the interests of investors and stakeholders. In addition, Tarek is also the Vice Chairperson and CEO of the Metal and Recycling Company (MRC). MRC is a waste management Company offering the latest practical and cost effective solutions to manage the complexities of responsible waste management. Tarek also managed several executive positions within Agility, last serving as the Executive Director of Strategic Programs.
2	Nadia Akil Vice Chairperson of the Board of Directors	Master's degree from New York's Columbia University School of International and Public Affairs, with a concentration in Business and Finance. Bachelor's degree in International Affairs from Georgetown University in Washington D.C.	Nadia Akil is the Vice Chairperson and CEO of UPAC. Since being appointed to this position in 2012, she has been responsible for the overall operations of UPAC in Kuwait, including four BOT contracts that encompass over 24,000 sqm of commercial and retail space in prominent locations across the country. In her leadership role, she has revitalized the Company's internal structure and functional operations by driving business development initiatives and optimizing the operation. Previously, Akil held various positions at Agility, and last served as a Director on Agility's Executive Projects Team. In this role, she concentrated on identifying growth areas, business development opportunities and operational efficiencies. Prior to Agility, Akil was part of the Global Wealth Management Group at Citigroup in London.

3	Zuhair Al-Zamel Independent Member	Bachelor's degree in Electrical Engineering from the University of California at Santa Barbara (UCSB) 1974.	Zuhair Al Zamel has been a member of UPAC'S Board of Directors since 2008. Al Zamel held various positions with the Directorate General of Civil Aviation (DGCA) for over 30 years, and most recently as Vice General Director of Civil Aviation for Airport Affairs. He also served as a Consultant for National Aviation Services (NAS) from 2009 until 2015.
4	Majed Al-Ajeel Non-Executive Member	Master's degree in planning and a bachelor's degree in architecture from the Catholic University of America.	Majed Al Ajeel is the Chairman of Burgan Bank and has held this position since 2010. He also serves as the Member of the Kuwait Banking Association, and previously held leading positions such as Vice Chairperson and CEO of UPAC, and a member of the Board of Directors of various other companies.
5	Hassan El-Houry Non-Executive Member	Masters of Business Administration (MBA) from the University of Pennsylvania's Wharton School of Business and a bachelor's degree from the American University of Beirut.	Hassan El Houry is currently the Chairman of the Board of Directors of National Real Estate Company (NREC) and Royal Aviation (UPAC subsidiary). He is also the Group CEO of National Aviation Services (NAS), the fastest growing aviation services provider in the Middle East, Africa and South Asia. In 2014, Hassan was honored by the World Economic Forum in Davos as a Young Global Leader given his experience and contributions in the field of aviation and airport services. Hassan is also a member in the Young Presidents' Organization (YPO) and serves as the director of the Wharton Alumni Club in the Middle East.

1.2 Meetings of the Board of Directors

The Board of Directors held a total of six meetings during the course of 2020. All meetings are called for by way of a formal invitation in advance, in order to allow adequate time for members' to attend. Each time a meeting is called for, a formal agenda is shared with members along with all necessary supporting documents prior to the meeting to allow members sufficient time to review. Board meetings are held when a quorum is met, with at least three members present, otherwise the meeting may be adjourned until a legal quorum is met. The Board Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement. Board meetings are always conducted in line with the Company's Memorandum and Articles of Association as well as in conformity to the Companies Law No. 01 of the year 2016 and its Executive Regulations.

Board of Directors' Meetings Record during the Year 2020

Name & Capacity	Meeting No. 01/20 held on 12 March 2020	Meeting No. 02/20 held on 30 April 2020	Meeting No. 03/20 held on 13 August 2020	Meeting No. 04/20 held on 12 October 2020	Meeting No. 05/20 held on 11 November 2020	Meeting No. 06/20 held on 20 December 2020	Number of meetings attended in 2020
Tarek Al-Mousa Chairman	√	√	√	√	√	√	6/6
Nadia Akil Vice Chairperson	√	√	√	√	√	√	6/6
Zuhair Al-Zamel Board Member	√	√	√	√	√	√	6/6
Majed Al-Ajeel Board Member	√	√	√	√	√	√	6/6
Hassan El-Houry Board Member	√	√	√	√	√	√	6/6

√ Attendance

1.3 Register, Maintain and Coordinate Board of Directors' Minutes of Meetings

Minutes of meetings are organized and recorded within a Company register with applicable serial numbers to mark those meetings during the year. Each meeting records specified relevant details such as the date of the meeting, start and end times, discussion items, deliberations and voting processes on the proposed agenda items. The Board Secretary is responsible for maintaining and updating the Company register in accordance with all relevant Board documentation. The tasks and responsibilities of the Board Secretary are ultimately approved by the Board of Directors.

Pillar 2: Establishing Clear Roles and Responsibilities

2.1 Duties and Responsibilities of the Members of the Board of Directors and Executive Management

In line with the provisions of the Corporate Governance Regulations (including Book 15 of the CMA Executive Regulations-Corporate Governance), the Company has set out in detail the roles and responsibilities governing the conduct of members of the Board of Directors and Executive Management. In addition to this, the Board of Directors has implemented formal documentation to clearly set out in detail those powers granted to Executive Management, and ultimately delegated by the Board of Directors. Below is a list of some of the specific roles and responsibilities allocated to members of the Board of Directors and Executive Management:

Roles and Responsibilities - Board of Directors

- Approve strategic objectives and material plans and policies of the Company.
- Approve annual estimated budgets and interim and annual financial statements.
- Monitor the basic capital expenditures of the Company, ownership and disposal of assets.
- Follow up the performance of the Company through the meetings of the Board of Directors and follow up with the results of the committees.
- Set performance goals and monitoring implementation and overall performance in the Company.
- Verify the Company's compliance with policies and procedures to guarantee its respect of applicable internal bylaws and regulations.
- Ensure accuracy and soundness of data and information for disclosure in line with applicable disclosure and transparency policies and regulations.
- Establish effective channels of communication that allow the shareholders of the Company to have regular and periodic access to the Company's financial reports and periodic disclosures.
- Develop and supervise a Corporate Governance system and monitor its effectiveness.
- Follow-up performance of each member of the Board of Directors and Executive Management according to Key Performance Indicators (KPIs).
- Formation of the Board Committees amongst the existing Board members and in accordance with the Board Charter setting out the Committee's clear roles and responsibilities and the methodology of supervision by the Board of Directors.
- Ensuring that the policies and regulations adopted by the Company are transparent and clear, allowing for decision making and achieving good governance principles, and separation of powers and powers between the board of directors and executive management.
- Control and supervise the performance of Executive Management and verify the implementation of approved policies and regulations.
- Develop policies and internal regulations to oversee the Company's overall processes and practices.
- Ensure periodic and effective internal control systems are in place at the Company and its subsidiaries.

Roles and Responsibilities - Chairman of the Board of Directors

- Verify the Board's efficient and timely discussion of all key matters.
- Encourage all members to fully and efficiently participate in meetings.
- Represent the Company before third parties pursuant to Articles of Association of the Company.
- Ensure actual communication with shareholders and inform the Board of their opinions.
- Encourage constructive relationships and active participation between the Board of Directors and Executive Management.
- Create a structure which encourages constructive criticism of conflicting views.

Roles and Responsibilities – Executive Management

- Execute the Company's strategic plans, related policies and internal regulations and verify its adequacy and efficiency.
- Implement all internal policies, procedures and regulations of the Company as approved by the Board of Directors.
- Prepare periodical (financial and non-financial) reports concerning the progress achieved within the Company's business.
- Develop an integrated accounting system and ensure that the preparation of financial statements are carried out pursuant to international accounting standards approved by the relevant authority.
- Manage day-to-day operations and manage the Company's resources.
- Actively participate in building and developing an ethical culture inside the Company.
- Develop internal control and risk management systems and verify their adequacy and efficiency.

2.2 Board of Directors' Achievements during the Year

Although the COVID-19 pandemic has had a severe negative impact on the business, especially with regards to the closure of the airport and the commercial malls for most of the year, the Board has nonetheless acted swiftly in ensuring business continuity and optimization with minimal disruption. All core airport operations and activities continued to function without interruption and necessary measures were taken towards the restructuring of operational costs and the reduction of potential liquidity risk. In addition, the company worked to **develop and improve its house digital services in order to further enhance the customer experience – all of which confirm an effective and leadership role taken by the members of the Board of Directors and Executive Management towards crisis management and risk reduction.**

The following is a summary of the Board's most important achievements throughout the year 2020:

- Developing the company's digital services in Terminals 1 and 4 of Kuwait International Airport.
- Restructuring operational costs and reducing potential liquidity risks.
- Continuation of construction work in Reem Mall at the maximum possible capacity.
- Closure of UPAC's funding commitment into Reem Mall.
- Completion of UPAC's capital increase in December 2020 with the subscription of 100% of issued shares, reflecting shareholders' confidence in the Company's performance.
- Continued cooperation with the DGCA and other relevant government agencies regarding the implementation of the necessary preventative measures to ensure an overall safe environment and preparations for the resumption of air travel.

2.3 Forming Specialized Independent Committees

Pursuant to the provisions and rules of Book 15 of the CMA Executive Regulations ("Corporate Governance"), the Board of Directors have formed the relevant Committees in order to support and enable Board members to perform their roles and responsibilities in a more effective and informed manner.

A) Board Risk and Audit Committee (BRAC)

Members of the Board Risk and Audit Committee

Name	Capacity	Board Member Classification
Hassan El- Houry	Chairman of the Board Risk and Audit Committee (BRAC)	Non-Executive Member
Zuhair Al-Zamel	Member of the Board Risk and Audit Committee (BRAC)	Independent Member
Majed Al-Ajeel	Member of the Board Risk and Audit Committee (BRAC)	Non-Executive Member

A consolidated Risk and Audit Committee (BRAC) has been established with the approval of the Capital Market Authority (CMA) issued on February 28, 2016. The BRAC performs tasks and responsibilities covering various aspects of risk management and internal audit controls of the Company. The BRAC was formed by way of a resolution of the Board of Directors dated June 28, 2016 for a period of three years, which was renewed immediately after the election/appointment of the Company's Board of Directors on April 2018. The BRAC carries out its tasks and responsibilities as per the Committee Charter, which defines the framework and objectives assigned to the Committee. Furthermore, the BRAC Secretary has been reappointed to carry out the assigned roles.

Board Risk and Audit Committee' Meetings Record during the Year 2020

Name & Capacity	Meeting No. 01/20 held on 12 March 2020	Meeting No. 02/20 held on 23 April 2020	Meeting No. 03/20 held on 13 August 2020	Meeting No. 04/20 held on 10 November 2020	Number of meetings attended in 2020
Hassan El- Houry Chairman of the Board Risk and Audit Committee (BRAC)	√	√	√	√	4/4
Zuhair Al-Zamel Member of the Board Risk and Audit Committee (BRAC)	√	√	√	√	4/4
Majed Al-Ajeel Member of the Board Risk and Audit Committee (BRAC)	√	√	√	√	4/4

√ Attendance

The BRAC held four meetings during the course of 2020, where all meetings are called for in advance by a formal invitation extended by the Committee Chairman, accompanied by the agenda and all documents and information needed to discuss the items on the meeting agenda, enabling members to carry out relevant discussions in order to make the necessary recommendations to the Board of Directors. The BRAC Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement.

Roles and Responsibilities – Board Risk and Audit Committee (BRAC)

- Review annual and interim financial statements and provide recommendations to the Board of Directors prior to their final approval. This is to ensure fairness and transparency of financial statements and reports.
- Recommend to the Board of Directors the appointment and reappointment of the Company's financial auditors, determine their fees and ensure their independence.
- Monitor the work of the Company's financial auditors and confirm their services to the Company are confined to providing audit services only.
- Review the financial auditors' reports and follow up on any observations.
- Ensure proper accounting procedures are applied.
- Evaluate the efficiency of the Company's internal control systems and the preparation of the Audit Committee Report.
- Supervise the Company's internal audit department, in order to ensure its effectiveness in performing the operations and tasks assigned to it by the Board of Directors.
- Recommend to the Board of Directors the appointment and reappointment of the Company's internal auditors.
- Review and approve the internal audit plans proposed by the internal auditor and provide comments thereon.
- Review and approve the Internal Audit Report schedule as proposed by the Internal Auditor and provide technical supervision in reviewing results of the Internal Audit Report.
- Review the outcomes of regulatory bodies' reports and ensure that necessary measures were taken in this regard.
- Ensure that the Company complies with relevant laws, policies, regulations and instructions.
- Prepare and review risk management strategies, policies and procedures and provide recommendations to the Board of Directors prior to its final approval and verify the implementation of such strategies and policies in line with the nature and volume of the Company activities.
- Ensure availability of adequate resources and risk management systems.
- Evaluate systems and mechanisms for identifying, measuring and monitoring various types of risks that the Company may face.
- Assist the Board of Directors in identifying and evaluating the Company's acceptable risk level, and ensure that the Company operates within that level following approval by the Board of Directors.
- Verify independence of the risk management employees from activities that result in subjecting the Company to certain risks.
- Ensure that risk management employees obtain a full understanding of the risks surrounding the Company and ensure transparency in the awareness of potential risks.
- Raise periodical reports to the Board of Directors concerning the nature of risks facing the Company.

Achievements of the Board Risk and Audit Committee (BRAC)

- Reviewed annual and interim financial statements prior to submission to the Board of Directors and provided recommendations.
- Reviewed the auditor's observations on the Company's financial statements.
- Ensure proper accounting procedures are applied.
- Recommend to the Board of Directors the reappointment of the Company's internal auditors and approval of the audit plan.
- Ensure that internal audit reports are issued periodically in accordance with the approved audit plan.
- Regular meetings with the Company's internal auditor at all BRAC meetings.
- Study and analyze internal audit reports and follow up the actions taken towards the observations contained in those reports.
- Ensure the effective performance of the internal auditor of the Company and assess its performance.
- Ensure the Company's compliance with relevant laws and regulations.
- Follow up on the decisions issued by the regulatory bodies and any further amendments that may be made to the laws and regulations in force.
- Ensure that all regulatory requirements are met.
- Ensure the adequacy of internal controls applied in the Company.
- Reviewed the independent Internal Controls Report (ICR) and follow up on the observations raised in that report.
- Recommend to the Board of Directors the reappointment of the Company's financial auditor and ensure their independence and fulfillment of all conditions and requirements.
- Meet periodically with the Company's financial auditor to discuss and review the interim and annual financial statements.
- Recommend to the Board of Directors the reappointment of an independent risk management unit and ensuring its independence and compliance with all requirements.
- Recommended the adoption of effective risk management systems and procedures.
- Study and analyze risk reports, presenting risks and expressing opinions and recommending them to the Board of Directors.

B) Board Nomination and Remuneration Committee (BNRC)

Members of the Board Nomination and Remuneration Committee

Name	Capacity	Board Member Classification
Zuhair Al-Zamel	Chairman of the Board Nomination and Remuneration Committee(BNRC)	Independent Member
Tarek Al-Mousa	Member of the Board Nomination and Remuneration Committee (BNRC)	Non-Executive Member
Nadia Akil	Member of the Board Nomination and Remuneration Committee (BNRC)	Executive Member

The Board Nomination and Remuneration Committee (BNRC) was formed pursuant to a Board Resolution dated 10 November 2016 for a period of three years, which was renewed immediately after the election/appointment of the Company's Board of Directors on April 2018. Members of the BNRC carry out the responsibilities of the Committee assigned to them as per the Committee Charter, which defines the framework and tasks assigned to it. Furthermore, the BNRC Secretary has been reappointed to carry out the assigned roles.

Board Nomination and Remuneration Committee' Meetings Record during the Year 2020

Name & Capacity	Meeting No. 01/20 held on 12 March 2020	Number of meetings attended in 2020
Zuhair Al-Zamel Chairman of the Board Nomination and Remuneration Committee (BNRC)	√	1/1
Tarek Al-Mousa Member of the Board Nomination and Remuneration Committee (BNRC)	√	1/1
Nadia Akil Member of the Board Nomination and Remuneration Committee (BNRC)	√	1/1

√ Attendance

The BNRC held one meeting during the course of 2020, where all meetings are called for in advance by a formal invitation extended by the Committee Chairman, accompanied by the agenda and all documents and information needed to discuss the items on the meeting agenda, enabling members to carry out relevant discussions in order to make the necessary recommendations to the Board of Directors. The BNRC Secretary ensures that minutes are recorded and formally signed off by members once they are in agreement.

Roles and Responsibilities – Board Nomination and Remuneration Committee (BNRC)

- Recommend the nomination or re-nomination of Board Members and members of Executive Management.
- Develop a clear remuneration policy for Board Members and Executive Management, with an annual review of the required skill necessary for Board membership and executive positions as required.
- Develop clear job descriptions for Executive Members, Non-Executive Members and the Independent Member.
- Ensure the existing Independent Members' autonomy on the Board of Directors and his capacity to serve as an Independent Member.
- Prepare a detailed Annual Report outlining the benefits for Board Members and members of Executive Management.

Achievements of the Board Nominations and Remunerations Committee (BNRC)

- Prepare an annual report of the remuneration granted to members of the Board of Directors and Executive Management for the financial year ending 31 December 2020.
- Recommend to refrain from allocating payment of the Board of Directors' remuneration for the fiscal year ending on 31st December 2020, as a result of the BOD's recommendation not to distribute dividends for the aforementioned fiscal year, which requires the BRAC's recommendation to do so, pursuant to the provisions of article No. (198) of the Companies Law No. 1 for the year 2016, and to submit its recommendation to the Board of Directors to take the necessary actions in this regard.
- Review of the existing skills and competencies required for the members of the Board of Directors and Executive Management to ensure the Company's proper management.
- Review of the existing Independent Members' autonomy on the Board of Directors and their capacity to serve as an Independent Member, based on the criteria and definition of an Independent Board Member as covered within the provisions of Book 15 - Corporate Governance - of the Executive Regulations of Law No. 7 for year 2010 and their amendments.
- Recommend the distribution of an annual compensation to two members of the Audit and Risk Management Committee in recognition of their efforts and consulting services provided throughout the year 2020.

2.4 Provides Members of the Board of Directors with Accurate and Timely Information and Data

The Company is committed to ensure complete accessibility and availability of information to the Board. To further validate this purpose, the Board of Directors has jointly approved a policy to clearly outline the roles and responsibilities of the Board Secretary. Such tasks include the scheduling of meetings, circulation of agenda items, maintaining and updating the Company register with all relevant documentation, and the accurate and timely provision of information prior to scheduled meetings. In addition, the Board Secretary also ensures that minutes are recorded during the course of the meetings and formally signed off by members once they are in agreement.

Pillar 3: Selection of Qualified Candidates for the Board of Directors and Executive Management

3.1 Formation of the Board Nomination and Remuneration Committee (BNRC)

The Board of Directors has formed a Board Nomination and Remuneration Committee (BNRC). The BNRC ensures that it satisfies all the requirements that need to be met by its committee members. Further, all relevant BNRC information has been detailed within Pillar 2 of this report – Board Nomination and Remuneration Committee (BNRC) – as mentioned in the above section 2.3.

3.2 Report on the Board of Directors, Executive Management and acting Managers' Remuneration

The Company has established a remuneration policy in line with the Corporate Governance related regulations issued by the Capital Markets Authority and other related regulatory requirements. The remuneration is determined based on the achievement of Key Performance Indicators (KPI's) toward the company's overall strategy. This includes financial indicators (of the Company and various departments) and non-financial indicators (specific to the Company's activities and operations) at Company level.

In compliance with the highest standards of transparency and in line with the best practices adopted under the Corporate Governance Framework, the Company has committed to provide a detailed annual report outlining the total remuneration packages granted to members of the Board of Directors, Executive Management, and acting managers to be presented to the general assembly of the Company. Such remuneration of 2020 is outlined as follows:

Board of Directors' Remuneration

Board Members' remuneration is recommended by the BNRC and presented to the Company's Annual General Assembly (AGM) for approval. As set out in the Company's Articles of Association, total remunerations shall not exceed 10% of the net profits of the Company following any relevant deductions. The Board of Directors has recommended to refrain from paying any remuneration to the members of the board of directors for the fiscal year ending on 31st December 2020.

Committees' Remuneration

The BNRC has recommended to grant the two members of the BRAC a committee allowance with a total value of KD 10,000 (ten thousand Kuwaiti Dinars) in recognition of their efforts and advisory services provided throughout the year 2020 and in accordance with the following details:

Capacity in Committee	Board Member Classification	Kind of Reward	Reward Value (KD)
Member of the Board Risk and Audit Committee (BRAC)	Independent Member	Allowance for committee efforts and advisory services provided throughout the year	5,000
Member of the Board Risk and Audit Committee (BRAC)	Non-Executive Member	Allowance for committee efforts and advisory services provided throughout the year	5,000

Executive Management Remuneration

Remuneration granted to Executive Management and acting Managers includes two main components – fixed and variable remuneration. Fixed benefits are related to those benefits assigned to Executive Management and acting Managers per their associated roles and responsibilities, whereas variable benefits are those awarded for the successful performance and achievement of specific objectives. Both Human Resources and members of the BNRC are involved in setting the above benefits and reviewing them annually. Moreover, the Nomination and Remuneration Committee did not monitor any deviations from the approved remuneration policy. The below table sets out the total fixed and variable benefits granted to top five of Executive Management and acting Managers for year 2020:

Remunerations and benefits through the Company							
Number of Members	Fixed remuneration and benefits (KD)						Total variable remuneration and benefits (KD)
	Total monthly salaries during the year	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration and accruals
Five Members	200,040	6,780	5,347	21,796	7,431	12,000	242,895

Pillar 4: Ensure the Integrity of Financial Reporting

4.1 Soundness and Integrity of Financial Reporting

Executive Management is mindful of its responsibilities to the Board of Directors with regards to the significance of accounting policies and to the preparation of fair and sound financial statements. The Executive Management has prepared and presented a written undertaking to the Board of Directors confirming that financial statements have been prepared with integrity and that all financial aspects of the Company are in line with approved international accounting standards. The Board of Directors also undertakes to ensure the integrity of financial reporting to the Company's shareholders. The financial statements and reports issued by the Company are prepared as follows:

- Annual Financial Statements.
- Interim Financial Statements.
- Annual and interim financial disclosure forms.
- Annual and periodical reports related to the Company's activity and the results of its operations.

4.2 Audit Committee

The Board of Directors has formed an Audit Committee which ensures that it satisfies all the requirements that need to be met by its committee members. Further, all relevant Audit Committee information has been detailed within Pillar 2 of this report – Board Risk and Audit Committee (BRAC) – as mentioned in the above section 2.3.

4.3 Recommendations of the Board Audit Committee and Resolutions of the Board of Directors

Although the Board Audit Committee is ultimately formed and approved by the Board of Directors, members of the Audit Committee carry out their tasks and responsibilities as per the Audit Committee Charter and provide a recommendation to the Board of Directors for final approval. Given that Committee members have been chosen specifically to meet the requirements set out under the Audit Committee Charter, all recommendations provided to the Board of Directors are typically considered to be sound and effective. During the course of 2020, the Committee did not report any contradictions or inconsistencies between Committee recommendations presented to the Board and the resolutions of the Board of Directors passed through the year.

4.4 Safeguarding the Independence and Impartiality of the External Auditor

Based on feedback and recommendations provided by members of the Audit Committee through their nomination of the external auditor and the review of their performance, the Company hereby ensures the full independence and impartiality of its external auditors. Furthermore, the Company confirms that the external auditors have been engaged only for the provision of such services required to be performed under the external audit profession.

Pillar 5: Applying Sound Systems of Risk Management and Internal Audit

5.1 Establish an Independent Unit for Risk Management

The Risk Management Function is one of the most important objectives and a main component for the Board of Directors. Enabling a process whereby risks can be identified and categorized at different risk levels is a key contributing factor to the overall success of the Company. The continuous development and effective application of Risk Management measures is vital to ensure effective and stable continuity within the Company's activities. Given the relevance of the overall Risk Management Function, the Board of Directors have therefore approved and endorsed an independent unit for the Risk Management Function. The Risk Management Function is responsible for reviewing the risk management strategies and assessing the Company's overall risk management policies and procedures. The function seeks to assist the Board in defining certain risks that may face the Company as well as in assessing acceptable risk levels. This Risk Management Function ultimately reports to the Board Risk Committee, which in turn provides their final recommendations to the Board of Directors.

5.2 Risk Management Committee

The Board of Directors has formed a Risk Committee which ensures that it satisfies all the requirements that need to be met by its committee members. Further, all relevant Risk Committee information has been detailed within Pillar 2 of this report – Board Risk and Audit Committee (BRAC) – as mentioned in the above section 2.3.

5.3 Internal Audit Systems and Controls

The Board is fully responsible for the implementation of the Company's Internal Audit Systems and Controls. Internal policies have been developed in order to ensure set standards and internal control processes are followed and adopted by the Company to enhance the soundness, accuracy and efficiency of its operations. The Internal Audit Function is responsible for reviewing and monitoring a set of policies and regulations and for preparing the necessary reports for submission to the Internal Audit Committee. The Internal Audit Committee will in turn review the reports for final submission to the Board of Directors for approval. The main internal controls that have been implemented in the Company to date are as follows:

- Delegation of authorities – limitation and allocation of certain powers and responsibilities.
- Separation of certain tasks and the prevention of potential conflicts of interest.
- Dual inspection and controls for further verifications.
- Dual signatures for further verifications.
- Establishment of approved policies and procedures for the Company.
- Implementation of modern automated technological systems for the enhancement of internal controls within the Company (E-forms - Transfora).

In addition, and as per Corporate Governance Requirements, a fully certified and independent auditor (Deloitte and Touche) was reappointed to carry out the evaluation and review of the Company's Internal Control Systems and for the preparation of the Internal Control Review Report (ICR), which is to be submitted to the CMA within 90 days of the end of the fiscal year. Further, the Company has appointed a separate independent auditor, ("Baker Tilly"), to conduct the review and evaluation of the Internal Audit Function for the previous three years and issue the Quality Assurance Review Report (QAR) which were provided to both the Board of Directors and Board Risk and Audit Committee, in accordance with Article 6-9 of Book 15 - Corporate Governance - of the Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and their amendments.

5.4 Independent Unit for Internal Audit and Controls

On 22 June 2016, UPAC obtained the approval from the CMA in order to outsource the Internal Audit Function to its Parent Company. The Parent currently enjoys a fully established, independent and integrated system of Internal Audit and Controls, tasked with carrying out audits in accordance with plans set and approved by the Board of Directors. The Internal Audit Department is responsible for setting the internal audit schedule, conducting the actual internal audit, and providing final reports and recommendations to the Board Audit Committee for recommendation to the Board of Directors for final approval.

Pillar 6: Promote Code of Conduct and Ethical Standards

6.1 Code of Conduct and Business Ethics

The Company has developed a Code of Conduct that has been ratified and approved by the Board of Directors. The Code is intended to serve as a guiding principle for Members of the Board and Executive Management with regards to proper and ethical business conduct. The Code of Conduct covers the professional standards and ethical values applicable to clients, suppliers and stakeholders alike, both inside or outside the Company. It also serves to enhance and uphold the qualities of integrity, impartiality and discretion. Board members are thus expected to exercise good judgment, to ensure the interests, safety and welfare of customers, employees and other stakeholders are met and to maintain a cooperative, efficient, and positive work environment. The Code also establishes a certain set standards in dealing with issues related to insider trading, dealings with related parties, conflicts of interest and whistle blowing procedures. Furthermore, all Board Members, Executive Management and employees are expected to abide by the Code of Conduct and apply the highest of ethical standards during the performance of their duties and responsibilities.

6.2 Mitigate Conflicts of Interest

The Board of Directors adopted a Conflict of Interest Policy aimed at ensuring that appropriate procedures are applied to identify and deal effectively with cases of conflicts of interest. It also ensures that the Board of Directors deals with conflicts of interest that exist and that all decisions are taken in the best interests of the Company. This policy is an integral part of the Company's full commitment to integrity and fairness in dealing with stakeholders. The policy also highlights the concept of conflict of interest, the basis of dealing with them, how to manage conflicts of interest through established examples, parties whose interests might conflict with the Company, and the roles of the Board of Directors, Executive Management and internal audit in this respect. The policy also reviewed procedures for dealing with conflicts of interest and disclosure mechanisms.

Pillar 7: Ensure Timely and High Quality Disclosures

7.1 Accurate and Transparent Disclosures

Accurate disclosures form the basic foundation for tracking the Company's activities and for evaluating performance, whether this is carried out by current shareholders, potential investors or the general public. Given the importance of information accuracy and transparency, the Board of Directors has developed a Disclosure Policy outlining standard rules and procedures to be applied when disclosing pertinent information. The Disclosure Policy has been developed in compliance with the provisions of the Corporate Governance laws as well as in conformity to Book 10 – Disclosure and Transparency - of the Executive Regulations of Law No. 7 of the year 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and their amendments.

7.2 Disclosure Records for Members of the Board of Directors, Executive Management and Managers

The Company maintains a detailed disclosure register which includes and monitors all disclosure records for Board Members, Executive Management and Managers. Such records are easily accessible by all shareholders without any additional fees or considerations. The Company regularly reviews and updates the disclosure data and records in order to accurately reflect the Company's position.

7.3 Formation of an Investor Relations Unit

The Company established a separate Investor Relations Unit in charge of establishing and monitoring disclosures. This Unit is responsible for the overall provision of necessary data, information and reports for the benefit of current shareholders as well as potential investors. The Investor Relations Unit enjoys a certain level of independence and this allows it to perform its duties and provide accurate and timely information through well-established disclosure systems including the corporate website.

7.4 Development of a Solid Information Technology Framework

The Company has developed solid IT systems in order to support its disclosure process, as well as to enhance further communication with its shareholders, investors and stakeholders. The corporate website has been developed in line with Corporate Governance regulations and has thus dedicated a specific tab covering 'Investor Relations.' This section covers all previous and current disclosures and provides a breadth of information and other pertinent data to enable potential investors and shareholders to exercise their rights, and accurately evaluate the Company's performance.

Pillar 8: Protection of Shareholders' Rights

8.1 Protection of Shareholders' Rights

The Company's Articles of Association and internal policies and procedures include the necessary controls required for the protection of shareholders rights and to ensure their fair and equal treatment, in line with applicable laws and regulatory instructions issued in this regard.

8.2 Shareholders' Information

For the accurate and continuous follow up of shareholders' data, the Company formed a special register "The Shareholders' Register" to be maintained and updated with the specified clearing agency – the Kuwait Clearing Company (KCC). This register includes names of shareholders, nationalities and details of the number of shares they hold. The KCC also maintains any amendments to the existing data and records in its register. Data incorporated in the shareholders' register is treated with the greatest degree of protection and confidentiality in line with applicable laws and regulations.

8.3 Participate and Vote in the Company's General Assemblies

Participation in the Annual General Meeting (AGM) is one of the basic rights for all shareholders and thus shareholders are encouraged to attend and actively participate in these annual meetings. In order to ensure the full extent of shareholder participation, certain measures are taken by the Company when calling for its AGM including extending formal notices calling for its date, time and location, as well as sharing agenda items for discussion, as per applicable laws and regulations.

Pillar 9: Recognize the Roles of Stakeholders

9.1 Protection and Recognition of Stakeholders' Rights

The Company has developed policies to govern the roles of stakeholders. Such policies include the adoption of certain procedures implemented to ensure the protection and recognition of stakeholders' rights. These include fair and equal treatment without prejudice in line with applicable laws, and pursuant to the relevant executive regulations and regulatory controls.

9.2 Stakeholders' Incentives to Participate in Tracking the Various Activities of the Company

Stakeholders are encouraged to stay updated and participate in monitoring the different activities of the Company through Company news, applicable disclosures, or through the facilitation of the Board of Directors of the Company.

Pillar 10: Encourage and Enhance Performance Improvement

10.1 Continuous Training Programs

One of the key elements of Corporate Governance includes implementing policies to ensure that Members of the Board and Executive Management obtain access to continuous training programs and are up to date with the latest business developments. A qualified and functioning Board is one of the key components of a successful business, and for this reason the Company has developed certain procedures to allow Board Members and Executive Management to attend relevant training programs in order to further enhance and strengthen their experience, administrative and organizational skills. The following are some of the courses attended by Board Members and Executive Management during the course of 2020:

- Whistleblowing: Raising Concerns.
- International Anti-Bribery Principles.
- Managing Business in Challenging Times.

10.2 Evaluation the Performance of the Board Members and Executive Management

In order to continually monitor and ensure applicability, the Company has worked on developing certain mechanisms for the evaluation of the performance of the Members of the Board of Directors, Committees and Executive Management. Performance evaluations are carried out regularly against a set of agreed key performance indicators related to the Company's strategic objectives. Such indicators reflect performance of Members of the Board and Executive Management, and seek to identify areas of strengths and deficiencies to tailor future training needs accordingly.

10.3 Board of Directors' Effort towards "Value Creation"

Board Members' performance should promote value creation principles among their employees. The Company has worked to adopt certain modern technology systems for the evaluation of employees' performance under the 'Management by Objectives' system. Such evaluation is performed in the beginning of the year, setting clear targets and objectives for each employee based on his / her job requirements, with progress monitored throughout the year. The Company believes in the importance of encouraging employees to act productively and to continue to enhance performance levels and has thus established a process whereby employee efforts are recognized and appreciated.

Pillar 11: Importance of Corporate Social Responsibility

11.1 Balance between the Objectives of the Company and of Society

Corporate Social Responsibility (CSR) forms an important part of the Company's commitment to act ethically and to contribute to the achievement of sustainable development. An internal policy based on the importance of CSR has thus been developed with the aim to highlight social responsibility, and create a balance between the objectives of the Company and those of society.

11.2 The Company's Efforts within Corporate Social Responsibility

Various policies and mechanisms have been adopted during the year to highlight the efforts of the Company within the CSR framework. UPAC is keen to support social responsibility measures in accordance with its strategic objectives and responsibilities, be it through environmental support, charitable events or other acts supporting the local community. For further information about the different social responsibility initiatives sponsored by the Company, please visit our website at www.upac.com.kw