



Sustainability Report  
2016/2017



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# Sustainability



*Meeting the needs of the present without  
compromising the ability of future generations to meet  
their own needs.*

**Our Common Future report, published in 1987  
by the Brundtland Commission**

## 1

# Why is Sustainability Important to us?

## About Markaz's First Sustainability Report

Markaz's first Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option for the reporting period of June 2016 to June 2017. It reflects our commitment to build on Markaz's cherished traditions of strategic vision, excellence in performance, and adherence to core social values, while upholding the spirit of maximal transparency. Through this report, we desire to convey how Markaz creates shared value through its activities by thinking long-term and focusing on sound principles and adhering to our commitment to our Corporate Social and Economic Responsibility (CSER) codes.

This sustainability report affirms Markaz's determination to ensure responsible, sustainable and joint progress towards corporate innovation and social consciousness. It also represents our purposeful goals to direct organizational outcomes in a transparent manner. Though it is not part of any mandatory compliance, the report reflects and reinforces Markaz's commitment towards bettering the quality of engagements for all stakeholders involved within our circle of activities. Further, it illustrates our determination to be cognizant of gaps and to listen to feedback from stakeholders about what is important to them.

We have prepared the complete report using our internal capabilities and that of our research subsidiary, Marmore MENA Intelligence, without any support from external consultants. Instead, we have followed the best international practices of reporting to ensure the highest quality and transparency. Our self-reliance demonstrates our determination to immerse ourselves fully in the process of corporate self-discovery, proving that sustainability for us is a valuable asset. This report will help in delivering our stated objectives through benchmarking past performances with targeted future outcomes.

Markaz's sustainability report focuses on the categories defined by GRI, which are the Economic, Social and Environmental categories, as well as the material aspects for all the stakeholders and Markaz. In addition, it also demonstrates the intersection points of Markaz's initiative and the Sustainable Development Goals of United Nations Development Program (UNDP SDGs). This reflects Markaz's keenness to follow the best international practices and the global business trends affirming its sustainable vision.

## Compliance with GRI Core GRI Standards & Disclosure Elements

### General Disclosures

- Organization Profile
- Strategy
- Ethics and Integrity
- Governance
- Stakeholder Engagement
- Reporting Practice

### Economic

- Economic Performance
- Market Presence
- Indirect Economic Impacts
- Anti-corruption
- Anti-competitive Behavior

### Environmental

- Environmental Compliance

### Social

- Employment
- Diversity and Equal Opportunity
- Human Rights Assessment

- Public Policy
- Customer Privacy
- Training and Education
- Non-discrimination
- Local Communities
- Marketing and Labeling
- Socioeconomic Compliance

## Markaz's Compliance with UNDP SDGs

### Those Complied with Currently

- ☉ No Poverty
- ☉ Zero Hunger
- ☉ Good Health and Well-Being
- ☉ Quality Education
- ☉ Gender Equality
- ☉ Affordable and Clean Energy
- ☉ Decent Work and Economic Growth
- ☉ Industry, Innovation and Infrastructure

### Striving Towards Compliance

- ✧ Clean Water and Sanitation
- ✧ Reduced Inequalities
- ✧ Responsible Consumption and Production
- ✧ Climate Action
- ✧ Life Below Water
- ✧ Life on Land
- ✧ Peace, Justice and Strong Institutions

## Chairman's Message

Since the start of our company's journey in 1974, Markaz has steadfastly committed itself to the sustainability of its business and the national economy by leveraging integrity, innovation, technology and a deep understanding of the markets we serve. Markaz combines high-performance with the pursuit of development that meets the needs of the present without compromising those of future generations.

From its own evolution, Markaz has recognized that enduring prosperity relies on pursuing mutually reinforcing strategies for sustainable economic growth, and compassionating social development and environmental stewardship. In addressing the same challenges at the national and regional level, Markaz can humbly contribute its experience and know-how towards embedding sustainability.

For Markaz, sustainability is not mere rhetorical corporate ornamentation, but a living central theme of our corporate strategy that guides our approach towards economic and social responsibility. It underpins our Corporate Economic Social Responsibility (CESR) in terms of anchoring our thinking on providing leadership in areas such as increased private sector contribution within a diversified national economy.

Markaz realizes that sustainability is a source of innovation in developing governance solutions for positive change in society via the creation of consensual stakeholder architecture to tackle challenges resourcefully. Sustainability courses through everything that Markaz does in terms of developing financial and investment solutions that provide clients with innovation and satisfaction.

The continuous dialogue that Markaz cherishes with its clients and the collaboration with stakeholders is where new interpretations are unearthed in terms of setting priorities for sustainability issues that are deeply important for the business community and the nation's economy. This has enabled Markaz to apply sustainability as a tool of strategic advantage in terms of developing effective governance policies that, at times, even precede declarations of official mandatory requirements of the national governing authorities.

The ability to gauge the long-term effectiveness of our community engagement activities is one key reason why Markaz is one of the few companies in Kuwait to

voluntarily develop a Corporate Governance Code that is in line with international best practices. Markaz also believes in spearheading tactical human capital capacity building efforts wherever it can. Thus, we have developed greater internal clarity on the meaning and expectations of sustainability through the development of various standards and institutional norms.

Markaz has worked and continues to work with external stakeholders who are similarly committed to principled economic behavior and constructive social engagement. The list includes regulatory authorities, intergovernmental agencies, non-governmental entities, academic and professional bodies, and multiple local communities. Through the transparent recording of our activities, we wish to strengthen our lead in sustainability governance, which goes beyond just nominal compliance.

We believe that our commitment to proactive

sustainability and governance will be supported by all our stakeholders, especially our esteemed clients. Recognition for Markaz across major industry awards over the years is testament to our enduring commitment to

*“For Markaz, sustainability is not mere rhetorical corporate ornamentation, but a living central theme of our corporate strategy.”*

serve our clients and stakeholders with dedication and innovation. We are committed to further strengthening our sustainability activities to ensure that we are seen as a beacon in this area. This will not only confer immense credibility to Markaz, but will make our voice count in regional and international fora when we advocate for good governance.

As the journey of Markaz continues to scale greater heights, I would like to deeply thank all our national and international clients, business partners and every other stakeholder for their constructive support. My thanks go to our employees too for their commitment in upholding our corporate objectives and values.

I assure you that in the work of sustainability, stakeholders across the spectrum - clients, shareholders, civil society organizations, federations and public benefit organizations, etc., will find Markaz to be a dedicated voice in the cause of working towards a sustainable and diversified national economy. Together, we will sculpt the future.

**Diraar Yusuf Alghanim**  
Chairman

## CEO's Message

Markaz has only prospered through the years by putting our clients, stakeholders, the larger community and sustainable economic development first. Sustainability at Markaz is not just something to be part of and in line with the current vogue, but a binding creed on which the very foundation of our existence lies. Sustainability thinking orders our activities and preferences in line with what maximizes the best interest of all stakeholders involved.

In 2016, Markaz has achieved a net profit of KD 4.03 million for the shareholders; i.e. 8 fils per share, compared to a net profit for shareholders that amounted 2.88 million, i.e. 6 fils per share in 2015, with a net profit to shareholders rose 40% on an annual basis as a result of high investments values of the Company and the growth of their income from fees and charges. The aggregated shareholders' equity reached KD 93.28 million by the end of 2016.

Markaz's total operating income was KD 13.93 million by the end of 2016 with an increase of 24% compared to the total operating income for 2015, which amounted to KD 11.26 million. The Company's income from fees and charges is KD 7.80 million with an increase of 6% compared to 2015. As of June 30, 2017, total assets under management (AUM) were over KD 960 million, and Markaz total revenues for the first half were KD 5.96 million.

Beyond just financial performance, at Markaz, we strive to make a positive and constructive difference, while encouraging all connected to us to aspire towards the same. A strategic approach to sustainability has provided our company with a solid and secure foundation, which is reflected also in our corporate financial performance over the years.

For e.g., in 2016, we have aligned our organizational structure to embed sound corporate governance practices within the reporting lines, providing clear segregation of duties and independence of functions such as Compliance, Risk Management and Internal Audit. Our Corporate Policies clearly distinguish the role of the Board and Executive Management and there are clear descriptions of the roles of the Board, Chairman, Board members, Board Committees, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Board Secretary, Head of Risk Management and Internal Auditor. The independence of key executives have been ensured through appropriate reporting lines. Our

governance structure comprises of the Board, Board Committees and Management Committees.

In our constant endeavor to actively participate in community service and contribute to building a strong and sustainable economy in Kuwait, Markaz adopted a corporate social and economic responsibility strategy aimed at fulfilling aspirational responsibilities to the greater society and national economy. Markaz has the distinction of being one of the very few companies in Kuwait to develop a voluntary code for corporate governance. Transparency and trust stand right at the core of our sustainability approach.

In line with creating better transparency, the Markaz Board formed six Management committees to help it oversee Markaz's decision-making and oversight functions. Each Management committee performs its duties as assigned by the Board in compliance with its own charter. As you read through Markaz first Sustainability Report, I hope

*“Beyond financial performance, we strive to make a positive constructive difference, while encouraging all connected to us to aspire for the same.”*

it will help in producing a layered understanding of our governance structure, risk management culture, corporate governance model, and the advanced methodologies that we use to ensure that our stake-

holders experience utmost quality in every interaction that they have with us.

Markaz, thanks to the resilience of our stakeholders and our employees, has emerged as a strong and durable brand in Kuwait and beyond. By almost every economic and societal measure, Markaz looks poised to support sustainable and long-term investments that raise up innovation and cement accountability.

Our commitment to supporting the cause of building up national economic competitiveness is evidenced by the inauguration of the GE Kuwait Technology Center (GEKTC) in 2016. The GEKTC is a major milestone in Kuwait's strategic effort to attract multinational firms to Kuwait with the objective of attracting technology, creating high value added jobs, and growing the ecosystem that promotes business formation. Markaz has been GE's financial advisor from concept phase of the project and helped formulate the business plan and the implementation roadmap.

Markaz continues to gain the confidence of experts and specialists in the financial sector, winning “Best Asset Manager in Kuwait” and “Best Investment Bank” awards in 2017 by EMEA Finance, a magazine specializing in the financial sectors in Europe, Middle East and

Africa. In addition, Markaz won “Best Investment Bank in Kuwait” by Global Finance, a magazine specializing in the global finance and investment sector globally. We will work diligently to catalyze a future of shared growth for all. Markaz is on an incredible journey that I believe that it will continue in partnership with multiple stakeholders to identify and target sustainability activities that can have the deepest impact in achieving societal and national goals. We pledge to work with partners to leverage a broad range of resources for that in a strategic and effective manner.

Further, strengthening corporate governance and enlarging inclusive planning processes for pioneering advances in the application of management practice, innovative technologies, and far thinking policies to surmount existing challenges and gaps in sustainable development will continue to be a healthy obsession for Markaz.

We expect oil prices to remain stable in 2018, leading markets to overcome the current challenges and volatilities. We also expect taxes and VAT to be implemented by 2019, which may curb consumer spending, corporate profitability and real estate returns.

One anticipated major theme for the year 2018 in the region is the focus on trust, liquidity and capital flows as sustainability aspects. Regulators are likely to encourage capital markets to support initiatives to launch new products and investment activities such as market making, stock lending, Over the Counter (OTC) trading and derivatives to name few examples. Since its inception, Markaz has pioneered innovation through developing new concepts resulting in creation of new investment channels. These channels enjoy unique characteristics, and helped Markaz widen investors’ horizons.

Markaz will concentrate on several key result areas over the following three years. This is to ensure the sustainability of its growth as a leading financial institution

in the region. These initiatives include:

- **Improved Human Resources:** We believe that our human capital is our most valuable asset and the quality of their output is what creates the company’s competitive edge. Therefore, we will continue to improve our human capabilities by investing in development and recruitment of our human sources, and by enhancing our career planning for high caliber promising staff.
- **Optimization of Financing Strategies:** We will seek to lower our cost of capital through a combination of improving our credit rating and creative financing at the level of the projects.
- **Growth in Fees:** In parallel to growing our AUM, we will seek to generate fees from investment banking mandates, with a special focus on government project and direct investments. Both will require Markaz to use its own balance sheet to support such mandates, while monitoring and controlling risk very closely.
- **Automation and efficiency:** Given the rapidly advancing technologies and evolving electronic automation systems, we will continue to invest in our capabilities in automation to ensure that our efficiency continues to improve and never fall behind international standards.

I hope that this report provides you with a comprehensive review of Markaz implemented and planned sustainability policies. However, our efforts will continue to go far beyond what is discussed in the report. Markaz requests all to participate with us in unveiling new ideas aimed at accelerating sustainable economic growth, greater job prospects, higher educational standards and broader empowerment of the most vulnerable among us. Together, let us invest in our collective future.

**Manaf A. Alhajeri**  
Chief Executive Officer

## 2

## Our Story

### Corporate Profile

Kuwait Financial Centre 'Markaz' was established in 1974, and has become one of the leading asset management and investment banking institutions in the MENA Region. Headquartered in Kuwait, We are a team of 191 employees, spread over offices across the Middle East, the US, and India. Markaz being a Public Shareholding Company is listed on Boursa Kuwait - the second largest exchange in the Middle East in terms of market capitalization. Markaz's Assets under Management (AUM) as of 30<sup>th</sup> June, 2017 is KD 960 million (USD 3.17 Billion).



*The choice for  
wealth creation*



*We build sustainable  
wealth for our clients and  
partners through prudent  
and innovative solutions*

### Values

- Customer first & fairness
- Legal compliance
- Economic & social responsibility

### Ethics

- Integrity and honesty
- Deliverable promises
- Confidentiality

### Our Principles: The Markaz's difference

#### Its about the client, not us

We are in the business of meeting client objectives. We will never stop adding value to our clients by providing services of the highest quality and ethics, advising them on proper asset allocation and offering them the products that best meet their needs.

#### Return-generating innovation

In our business, innovation is about opening new investment channels that otherwise would not be available. Over the last few years, we have consistently brought to the market new investment channels.

#### Solutions beyond borders

With assets under management spanning from Los Angeles to Hong Kong, our commitment to our clients goes beyond geographical borders.

#### Our Reputation is King

At Markaz, our reputation is our biggest asset. We've been voluntarily operating under strict guidelines long before corporate governance was the norm. We instill our values of ethical dealings and objective reporting into our teams. And, with a management team that has the least turnover among its peers, our shareholders and clients know that 50 years from today we will continue to conduct our business with the same commitment to our values we have today.



## Corporate Background and Markaz's Business Network

### Our Operation

We have attracted and retained a client base of high net-worth individuals, governments, quasi-government institutions, and investment arms of corporations in the

MENA region and globally. We continue to serve them through our four main practices: Investment Banking, Asset management, Direct Investments and Real Estate through our several subsidiaries.

**Table: Subsidiaries & Branches (As of 30 June 2017)**

Name of the Subsidiary	Country of Incorporation	Ownership Percentage	Principal activity
Mar-Gulf Management Inc.	USA	100.00%	Asset management
Markaz First Management and Economic Consultancy Company-KSCC	Kuwait	95.00%	Economic consultancy
MDI Holding Limited	Cayman Islands	66.66%	Property Management
MDI Management Limited	Cayman Islands	66.66%	Property Management
MDI Ventures Ltd	Cayman Islands	50.00%	Property Management
Markaz Offshore I Ltd	Cayman Islands	100.00%	Investment
Marmore MENA Intelligence Private Limited	India	98.73%	Research & Consultancy
Aradi Development Limited	Cayman Islands	96.89%	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100.00%	Real Estate
Rimal Venture Company WLL	Bahrain	100.00%	Asset management
Markaz Fixed Income Fund	Kuwait	76.79%	Investment Fund
Markaz Arabian Fund	Bahrain	58.49%	Investment Fund
Arab Gulf Real Estate Development Company WLL	Kuwait	99.85%	Real Estate
Bay View Real Estate Company WLL	Kuwait	99.85%	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	99.86%	Real Estate
Al-Rihab Real Estate Development Company WLL	Kuwait	99.85%	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	99.85%	Real Estate
Markaz Mena Islamic Fund	Kuwait	75.00%	Investment Fund

### Mar-Gulf Management, Inc.

Acts as Markaz real estate arm in the United States. Since 1988, Markaz has been conducting real estate transactions in the US through Mar-Gulf, located in Los Angeles, California. Mar-Gulf has a team of professionals with, on average, more than 30 years of experience in the acquisition, disposition, development, and management of real estate properties in the United States.

### Marmore MENA Intelligence.

Marmore MENA Intelligence Private Limited was established in the year 2010. Marmore is a subsidiary of Markaz that offers full-fledged research focused on Middle East

and North Africa (MENA) region. Marmore's objective is to provide research and intelligence across a range of topics including economic research, sector research, infrastructure research, policy research, regulatory research and capital market research. Marmore also provides bespoke services to companies and government institutions on a variety of issues. The research team at Marmore is positioned to support Markaz in providing the very best investment ideas to its clients in addition to enriching the local/regional investment landscape with a full range of unbiased research. Marmore aims to be thematic in selecting research ideas with a clear focus on investment actions and merits.

Our research expands even further into the realms of policy areas guiding stakeholders to frame problems and derive solutions, thus positioning us as a thought leader in the region. Our clients can always trust us to provide reliable and objective analysis that helps them make an informed decision or stay in the loop of the latest developments.

## Business Divisions

Figure: Business Verticals



### How we serve: Asset Management clients

From managing mutual funds to portfolios, we serve our clients by first studying their objectives, and then deploying the right mix of opportunities across asset classes and geographical borders, all managed by our expert team of fund and portfolio managers through our network of offices.

Our commitment is to meet our client's investment objectives, whether short-term wealth management or a long-term trust. We then match it with the right asset allocation, and manage it based on pre-defined guidelines.

In 2016, Markaz was named "Best Asset Manager in Kuwait" by EMEA finance magazine, a magazine specializing in the financial sectors in Europe, Middle East and Africa.

### Our Approach

1. Defining our clients' needs and objectives
2. Identifying suitable investment opportunities
3. Due diligence
4. Asset class selection
5. Investment committee review of strategy
6. Performance and risk analysis, and reporting

### Our offerings in Asset Management

We have a track-record of building solid performing funds across asset classes, and with more than Twelve Lipper-Reuters awards under our belt in the last ten years alone, our team has built a reputation for being the best performing fund manager on a risk-adjusted basis.

Markaz Mumtaz Fund: Winner of Seven Lipper Fund Awards: 2007, 2008, 2010, 2011, 2012, winner of the Kuwait Equity Fund of the Year Award from MENA FM: 2010, 2016, and Rated "A" by S&P: 2009 - 2011.

Markaz Islamic Fund: Winner of four Lipper Fund Awards: 2008, 2010, 2011, 2012. Arabian Fund: Winner of Lipper Fund Award: 2010 and Rated "A" by S&P: 2009 - 2011.)

We believe that the periods ahead will offer unusual investment opportunities and are launching a series of investment products that will offer investors the opportunity to benefit from the eventual economic recovery.

### How we serve: Investment Banking clients

We work on creating capital for clients business while acting as their agent or underwriter. This could encompass equity and debt financing, mergers and acquisitions, dispositions and financial restructuring. Our advisory teams are sector focused, with strong expertise in real estate, oil and gas, and the financial sector. Investment banking institutions remain the only conduit between the capital markets and companies.

In 2016, Markaz was named 'Best Investment Bank in Kuwait' and 'Most Innovative Bank in the Middle East' from Global Finance Magazine.

### How we serve: Private Banking clients

The high net worth segment of the Gulf region is a growing segment thanks to oil riches, but continues to be underserved by regional players. While global players provide global solutions to this segment, there is hardly any discernable increase in the service levels from regional players. As a group, high net worth clients face some unique challenges in terms of home bias, concentration risk and asset allocation.

The Private Banking team at Markaz understands the intricate nature of these challenges and endeavors to provide top-of-the-line solutions with a strong personal touch, to protect and grow our clients' wealth. We are proud to announce that most of our Account Managers have been certified as 'Chartered Wealth Managers' by the internationally renowned American Academy of Financial Management (AAFH).

### How we serve: Real Estate clients

The MENA Real Estate Department at Markaz offers investors various real estate investment opportunities across the MENA region. Through our vast network of developers, consultants, brokers, financial institutions

and partners and our presence on the ground in the MENA region, we provide investment opportunities covering the whole spectrum of the real estate world investment from income generating assets through

real estate development and land development. An opportunity to take exposure in the international real estate market is offered to our investors through our fully owned subsidiary, Mar-Gulf Management, Inc.

#### CASE STUDY

#### INNOVATION IN FINANCE



Over the years, Markaz has developed concepts and innovations through the creation of new investment channels. Each of these has unique characteristics that widen the investors' choice. Here are some leading examples:



#### Markaz Fund for Excellent Yields (Mumtaz)

Until 1999, investors in Kuwait who wanted to enjoy the benefits of investing in a mutual fund had to turn offshore. There were no domestic funds. In 1999, Markaz started off a trend. It wanted to present Kuwait's retail investors the opportunity to taste long-term capital appreciation by investing in Kuwait's blue-chip companies. Also, Markaz wished to offer diversification and professional management to the locals. Thus, in 1999, Markaz established Mumtaz Fund, the first domestic mutual fund in Kuwait. Mumtaz is an open fund with an AUM of KW 58.3mn as of 30 June 2017. Since its inception until 30 June 2017, the Fund has generated a return at CAGR of 12.5%, as against a CAGR return of 6.4% made by the benchmark index during the same period.



#### Markaz Real Estate Fund (MREF)

Even as Kuwait entered the new millennia, investors were investing in real estate properties to generate stable income and returns. This investment was majorly carried out through acquisition, management, and disposal of properties. The most promising segments of the country's real estate market were not accessible to small-scale investors. In 2003, Markaz addressed this gap through Markaz Real Estate Fund (MREF), Kuwait's first real estate investment fund. MREF enabled small investors to earn stable and recurring returns, by investing, in properties within the state of Kuwait, in compliance with the Islamic Shari'ah.

#### Kuwait Commercial Markets Complex Company "KCMCC" Bond

In 2003, Kuwait Commercial Markets Complex Company "KCMCC" was looking for money to finance its build-operate-transfer "BOT" projects. This action gave Markaz the opportunity to engineer another innovation. It raised money by issuing bonds and backed it with the BOT. It was a win-win arrangement at its very best.



#### Forsa Financial Fund

Markaz wanted to create and develop a market for options in Kuwait. In 2002, it raised the idea of establishing options market in Boursa (formerly known as Kuwait Stock Exchange). After three years, during which Markaz submitted a comprehensive study on the options markets and the required amendments to making this instrument viable, Markaz received approval to offer "Call Options" contracts in March 2005, thus emerging Forsa Financial Fund. Since then, Markaz is the only options market maker in GCC.

The trading of call options started on 13 listed companies. Forsa Financial Fund took upon the task of developing the options market in Kuwait. The "Fund" provided a computerized system for trading and held numerous training sessions, so brokers could be informed of the advantages of this new tool and learn how to use the system to execute orders. Similarly, numerous seminars were organized for investors to brief them about the advantages and risks of trading in options. Slowly, the number of companies covered by the derivative market grew to 56, representing all trading sectors.



#### Markaz Energy Fund

#### The Markaz Energy Fund

(MEF) seeks to achieve superior long term returns by selectively investing in listed & unlisted equities across the exploration & production, midstream, downstream and petrochemicals segments of the Gulf Region's energy value chain. Markaz manages a diversified portfolio within the oil & gas sector through MEF. Gains generally accrue from local and regional oil & gas equities. Also, the MEF has been systematically able to capitalize on the gains in the international markets through increasing its exposure to internationally listed energy equities.

#### Directing Zakat expenditure towards active public organizations and youth centers

By an order of the Ministry of Finance, companies are entitled to determine their zakat out of the settled amount and give the due amount or a part thereof to one of the suggested public services. Therefore, Markaz advocated supporting local non-profit organizations such as Kuwait Red Crescent Society (KRCS), Kuwait Association for the Care of Children in Hospital (KACCH) and Loyac to allocate part of the Zakat to their organizations. This suggestion was a proposal, and implementation of the idea is questionable as of now. However, such initiatives prove Markaz's commitment to support local organizations and participate in sustaining local community.

**Markaz has thus never shied away from innovating and carries innovation as a badge of honor.**

## Financial Performance - Our Economic Contribution

In 2016, Markaz's total operating income was KD 13.93 million, an increase of 24% compared to the total operating income for 2015, which amounted to KD 11.26 million. Markaz achieved a net profit of KD 4.03 million for the shareholders; i.e. 8 fils per share, compared to a net profit for shareholders that amounted 2.88 million, i.e. 6 fils per share in 2015. The net profit to shareholders rose by 40% on an annual basis as a result of high investments values of the Company and the growth of their income from fees and charges. The aggregated shareholders' equity reached KD 93.28 million by the end of 2016.

As of 30 June 2017, Markaz's total revenue was KD 7.71 million, an increase of 63% compared to the total revenue for June 2016, which amounted to KD 4.73 million. Markaz achieved a net profit of KD 2.92 million for the shareholders; i.e 6 fils per share, compared to a net profit for shareholders that amounted KD 0.81 million; i.e. 2 fils. The net profit to shareholders rose by 260% on an half year basis as a result of high investments values of the company. The aggregated shareholders' equity reached KD 92.51 million by the end of June 2017.



Operating segments are identified based on internal management reporting information that is regularly reviewed by the Chief Operating Officer in order to allocate resources to the appropriate segment and to assess its performance, and is reconciled to group profit or loss.

The revenues and profits generated by the group from business segments are summarized as follows:



### Asset management

- GCC and MENA investments
- International investments
- Private equity
- Real estate



### Investment banking

- Corporate finance & advisory
- Real estate
- Oil and gas
- Treasury
- Loans
- Structured finance & derivatives

Segmental information	Asset Management		Investment Banking		Total	
	2016 KD'000	2015 KD'000	2016 KD'000	2015 KD'000	2016 KD'000	2015 KD'000
Segment revenue	11,426	9,409	2,500	1,848	13,926	11,257
Segment result	3,313	1,411	802	304	4,115	1,715
KFAS, NLST, Zakat and Board of directors remuneration	(246)	(137)	(51)	(13)	(297)	(150)
Profit for the year	3,067	1,274	751	291	3,818	1,565
Total assets	126,741	122,140	30,007	26,111	156,748	148,251
Total liabilities	32,684	27,521	8,789	8,527	41,473	36,048
Interest income	111	155	560	619	671	774
Finance costs	(1,019)	(943)	(239)	(207)	(1,258)	(1,150)
Depreciation	(236)	(99)	(104)	(105)	(340)	(204)
Impairment of available for sale investments	(163)	(287)	(8)	(7)	(171)	(294)
Purchase of property and equipment	(215)	(32)	(92)	(72)	(307)	(104)
Purchase of investment properties	(7,761)	(8,440)			(7,761)	(8,440)

MENA real estate investments are spread across various sectors, which include but are not limited to residential, commercial and industrial sectors. We are managing approximately KD 300 million as of Q2-17 equivalent to almost USD 998 million in assets and operate regional offices in Riyadh, Khobar, Dubai and Abu Dhabi. Our current portfolio consists of over 14 investment products spread over the MENA region which are at different stages of the real estate investment/development cycle.

Through our investments we have been able to positively impact the jurisdictions we are present in both directly and indirectly as mentioned below:

- Through our vast network of developers, consultants, brokers, financial institutions and partners and our presence on the ground in the MENA region. We enhance the job opportunities for many architects, city planners, engineers, surveyors, inspectors, contractors, lawyers, leasing agents, etc.
- We have access to unique investment opportunities covering the whole spectrum of the real estate universe from income generating assets through real estate development and land development. Markaz tend to provide housing, commercial buildings that

would benefit the communities we are active in. In KSA, we are developing around 450 residential and retail units located in Riyadh and Al Khobar. In UAE, we are developing 3 lands located in Dubai and Abu Dhabi which consist of 350 residential units. In Kuwait, we are developing two towers that will consist of 135 residential units once complete.

- MENA Real Estate Department is managing various income generating properties in the MENA region which provide housing and related support for middle to high-class people that generate valuable social outcomes and positive social benefits. We have approximately 1,367 units in the MENA region as listed below:

Property Type	Saudi Arabia	UAE	Kuwait	Total
Commercial (shops and offices)	70	-	544	614
Residential Apartments	220	93	421	734
Industrial	-	-	19	19
<b>Total</b>	<b>290</b>	<b>93</b>	<b>984</b>	<b>1,367</b>

## Our People

Markaz's employees are central to accomplish its business endeavors and also sustainability initiatives. Operational excellence and commitment of our employees are vital in meeting our clients' expectations and delivering extraordinary results. We believe in employing talented and enthusiastic individuals who are self-motivated and are able to deliver extraordinary results. At the same time, we also aim to provide our own employees with a professionally and personally nurturing workplace that recognizes their contributions and provides opportunities for advancement.

Markaz has around 191 employees working across its 7 operations:

SL#	Head Office and other subsidiaries	Nos
1	Markaz Kuwait	138
2	Markaz First Economic Consultancy Company	28
3	Marmore MENA Intelligence Private Limited	9
4	REOC Abu Dhabi	3
5	MREICO KSA	8
6	Lebanon	1
7	Margulf	4
<b>Total</b>		<b>191</b>

Markaz strongly believes in the welfare of its employees. And, apart from several benefits offered, Markaz contributes to "The Public Institution for Social Security", the government agency responsible for state pensions in Kuwait.

- Markaz Contribution - 10.5%
- Employee Contribution - 11.5%

### CASE STUDY

#### INTRODUCING NEW PROFESSIONS FOR THE YOUTH



The role of small companies in the success of Real Estate investments is immense, as they not only add value through innovation, and specialization but also can quickly adapt to localities and are highly flexible and incur lower cost when compared with larger companies. However, they must be given opportunities to establish themselves and grow and expand, so they have a fair chance to compete with the giants.

Understanding the need for fostering a favorable ecosystem, Markaz issued a study, in collaboration with the executive committee of the National Real Estate Portfolio, on establishing small evaluators and the procedures required from public and private sector players to support the smaller entities and engage them in the market. The study also discussed the obstacles faced by medium-size real estate evaluators. 24 companies were invited to offer real estate evaluating services, and 13 companies were selected.

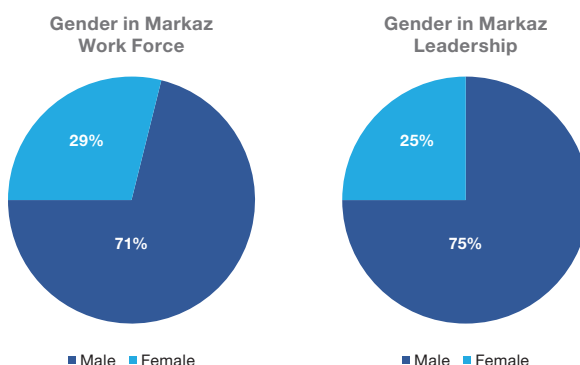
### Diversity, Equal Opportunity and Non-discrimination

All Markaz's employees are treated fairly and equally regardless of their gender, race, color, ethnic or national origin, religion, age, status. Equal opportunity policy applies to recruitment and selection, terms and conditions of employment including compensation, promotion, training, transfer and every other aspect of employment. Any act of discrimination by employees or any failure to comply with the terms of the policy will result in disciplinary action.

The diversity of the Company's employees is a tremendous asset. Markaz is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment and bullying of any kind. No incidents of discrimination have been reported during the period under review.

- During the reporting period, Markaz recruited 29 new employees, implying a hiring rate of 15.8%
- During the reporting period, 14 employees left Markaz, voluntarily or due to dismissal, retirement, or death in service, implying a turnover rate of 7.6%
- Workforce Demographics: Markaz believes in diversity in terms of gender, country of origin, cultural background, and values to understand, respect, and inspire each other.

- Senior Management is defined as "Persons occupying executive positions and performing strategic, important and essential work related to Markaz businesses & its activities". Markaz's senior management comprises nine members, out of which four are Kuwaitis.
- Performance Appraisal is conducted annually across the organization at the end of each calendar year in order to evaluate the Employee's performance level against the preset Key Performance Indicators (KPIs).



### Ratio of basic salary and remuneration of women to men

Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.

SL#	Employee Level	Middle East & North Africa		Asia		North America	
		Male Staff Remuneration%	Female Staff Remuneration%	Male Staff Remuneration%	Female Staff Remuneration%	Male Staff Remuneration%	Female Staff Remuneration%
1	AVP- EVP	52%	48%	100%	-	65%	35%
2	Sr. Analyst - Manager	56%	44%	100%	-	52%	48%
3	Other Employees	48%	52%	100%	-	-	-



### Employee Benefits

Markaz complies with the labour law policy/entitlement of Maternity leave and breastfeeding hours. Leave policies are applied in accordance to the labour law to all employees. Temporary staffs are only given the basic salary and no annual benefits. Markaz provides Life and Workmen Compensation Insurance to all employees. Markaz provides Health Insurance to all employees and their families according to the approved medical plan. This entitlement will be for their spouse and two children up to a maximum of 22 Years of age. Markaz provides air ticket to all employees and their families including their spouse and two children up to a maximum of 22 years of age.

### Grievance Mechanism

Markaz has a complaint management process, which ensures that all complaints, internal or external, are documented and followed up until resolutions. All clients related issues are expected to be referred to Complaints Cell Unit for investigation and resolution. While employee related issues (other than issues covered under whistleblowing policy) are to be initially referred to the respective Head of Department. If not resolved, they should be addressed by Human Resources and Administration Department (HRAD) for investigation and resolution. Employees can also consult HRAD directly and request for advice/assistance. HRAD will take the necessary measures inclusive of the coordination with the respective department if necessary. All client complaints and its resolutions are reported to Governance, Risk Management and Compliance Committee (GRC) and Board Audit Committee (BAC). Markaz complies with the laws of the State of Kuwait and strives to keep its workplace free from discrimination. Employees are expected to report the conduct, statements, or behavior he/she feel that it is discriminatory or harassing, to the supervisor or to the Head of HRAD.

### Training and Education

Markaz's HR strategy focuses strongly on developing a learning organization. Learning and development are absolutely necessary to achieve our ambitious goals and attract and retain the best talent. In our ever changing world, skills are perishable, which is why the opportunities for learning and continuous development are strategically imperative priorities. As the industry rapidly evolves, we must keep pace and ensure that our employees are prepared with the right knowledge and skillsets to sustain our leadership position in the industry. Training and education also reinforces our commitment to operating with integrity, helps reward our employees for helping us succeed and develops new leadership.

The details of the trainings are as follows:

Employee Level	Avg. Training Hrs.
Level 1 AVP-EVP	38
Level 2 Senior Analyst - Manager	26
Level 3 Other Employees	17

Number of Training Courses	Male	Female
Courses	42	11

Markaz has 53 different courses across different categories in which the employees are trained based on the requirement of their role.

Course Category	No of Courses
Finance & Investment Management	16
Project Management	13
Risk & Compliance	6
Soft skills Training	5
Administration Management	3
Management Courses	3
Corporate Governance	2
Legal Courses	2
Information Technology	1
Market Updates	1
Marketing Strategies	1
<b>Total</b>	<b>53</b>

As a testament to the commitment to employee growth and development, we invest significantly in a number of opportunities for developing and training employees and in leadership programs to develop current and future leaders. We manage training and education through compensation packages, and a tuition fee refund program. Markaz achieves continuous development of technical competencies and soft skills of all its employees through technical/behavioral programs, seminars, workshops, on job training, E-learning; self-study; professional certification; coaching and mentoring.

Training and development needs are identified during the competency assessment which is conducted every two years and prioritized with the department heads as per business needs for the coming year and Personal Development Plans (PDPs) are formulated accordingly. PDPs can be revised every year, specifying change in priority of development programs and employees. Employees are encouraged to acquire several certifications, and accreditations. Employees are reimbursed

upon successful completion of the approved certification/re-certification with the cost of registration, e-books or printed study material (one of the two) and exams

fees. Employees are also reimbursed for the cost of annual memberships of the completed certification/level within the approved list.

**CASE STUDY**

**YOUTH TRAINING**



**Markaz believes that investing in education contributes to preparing talented youth who would serve Kuwait and develop its economy, including the private sector. They are the bricks of the society and architects of the future. Markaz is fully committed to rendering continuous support to the youth of the country, develop their skills, and encourage them to achieve their goals.**

**Role in Active Committees**

Mr. Manaf A. Alhajeri, CEO, is a member of:

1. Syrian Refugee Education Project Committee (SREP) - This committee is through KFAS
2. National Bureau for Academic and Education Quality Assurance (NBAQ)

Being part of these committees, having education and knowledge in common, allows Mr. Alhajeri to participate in refining and elevating education in Kuwait and contributing to Kuwait's pledge to international crises such as the Syrian Refugees Crisis.



**Kuwait University**

In line with this belief, Markaz sponsored the graduation ceremony of the 7th year students of the Faculty of Medicine, Kuwait University. It also sponsored the ceremony of the distinguished students of the Faculty of Engineering and Petroleum at the University of Kuwait. Through such sponsorships, Markaz appreciates the efforts of young people to learn and achieve sustainability.



**Al-Bayan Bilingual School visits Markaz**

A group of senior students of Al-Bayan Bilingual School visited Markaz, and were introduced to the Kuwaiti financial services sector. They learnt about Kuwait's modern economy, how investment companies work, and what skill-set would be needed

to have a successful career in the financial services space. They also learned about the local and global economic crises of 2008 and past decades, and the key take-away from those lessons. As friendly hosts, Markaz's employees took up all queries of the guests and the sessions were interactive. Markaz emphasized the importance of professional ethics and compliance with corporate governance principles.



**Markaz Sponsors ICSK Distinguished Students**

As part of its commitment to grow human skills and build a talented youth pool, Markaz has been sponsoring the distinguished students of the Indian Community School in Kuwait (ICSK) for the past few years. Best students are selected, in cooperation with ICSK, based on their academic performance, grades and behavior, and are provided support and motivation to continue their academic success. So far, more than 50 students have benefited from the Markaz sponsorship.



**Loyac Graduates Empowerment Program**

Markaz partnered with Loyac Internship program in the private sector to empower graduates and build their skills through training and workshops to prepare them for finding the suitable job.

**These steps will go a long way towards promoting the cause of education.**



### Our Supply Chain

Supply chain concepts are generally confined to industries or sectors where there are core procurement, manufacturing and delivery processes. However, Markaz operates on the principle that supply chain concepts are very much an integral part of the financial services industry. For Markaz, whose main business is asset management and investment banking, information and Knowledge management are central to continuously strengthening our company’s internal competitive advantage. Thus, our supply chain management philosophy revolves around diligently mapping business process workflows, various procurement processes and enabling technologies.

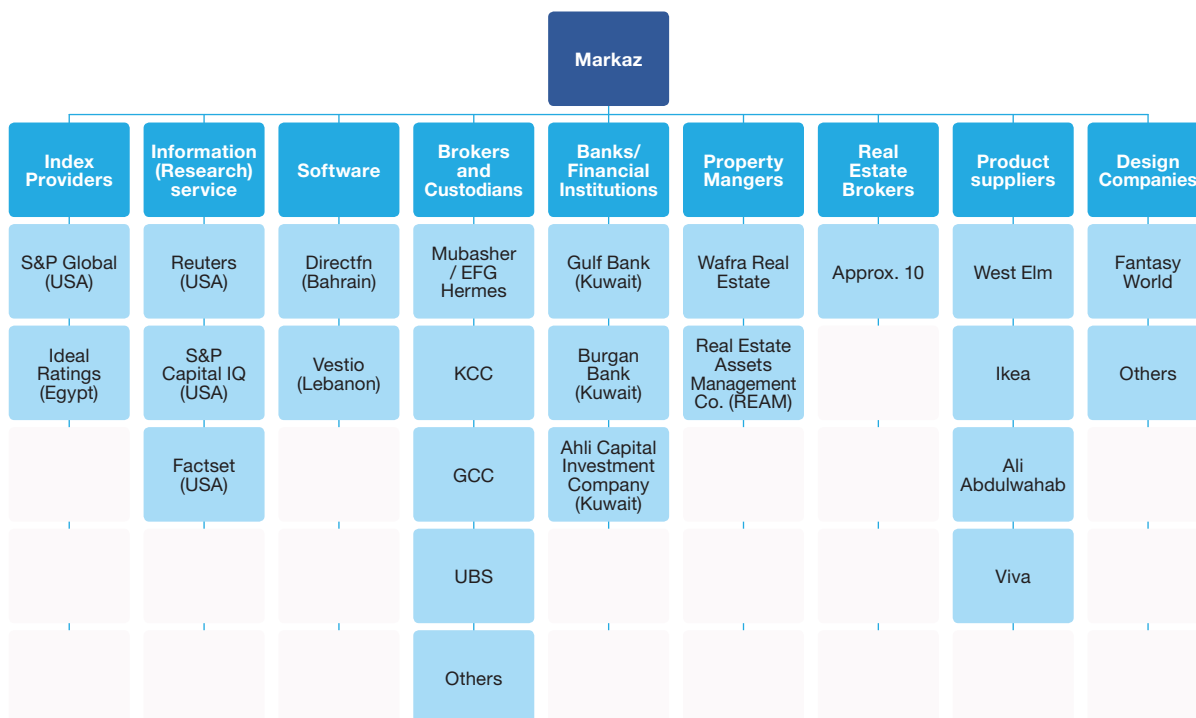
Even as the field of investment banking and real estate brokerage in general is witnessing rapid change, underpinned by quickening change in terms of disruptive technologies, Markaz constantly analyzes the inherent supply chain capabilities that are embedded in our various discrete sub-operations such as stock trading, portfolio management and research on specific asset types.

Thus, our active supply chain management strategy involves actively aligning and involving components of strategic management, service delivery, operations and

feedback as elements in tight integration of planning and competitive advantage. As part of effective supply chain management, Markaz reviews core and non-core dimensions on a periodic basis to measure what better efficiencies which can be obtained from reorganizing our supply chain. This has helped us to simplify complex webs of third-party vendor relationships over the years. Also, it offers us the capacity to reduce both risk and cost considerably.

Various critical processes like client support services (e.g., client acquisition), internal support services (e.g., HR procurement) and execution services (e.g., settlements) have thus evolved mature forms of process and procurement ownership and control procedures, while ensuring closer collaboration between various organizational teams. This approach towards supply chain management has been supported by robust internal communications and training programs to strengthen a culture of accountability and model behaviors.

The multilayered universe of Markaz’s supply chain can be glimpsed from references below, which are a selection from our corporate supply chain. Selection of suppliers is based on at least 3 suppliers; and termination is based on supplier performance.



Markaz follows its own Code of Business Conduct in terms of vetting and selecting suppliers. Our procurement code sets down the formal and tacit processes of procurement, which helps the company to adhere to all legal and labor practices. In the future, Markaz hopes

to develop a detailed Code of Conduct guidelines for our suppliers too, which would help in cementing steps towards making our supply chain even more sustainable for the emerging world of business and work.

# 3 Markaz's Sustainability

## Markaz's Sustainability Strategy

In its constant endeavor to actively participate in community service and contribute to building a strong and sustainable economy in Kuwait, Markaz devised its Sustainability Strategy based on the expectations of both internal and external stakeholders. The strategy aims at fulfilling Markaz's responsibilities to society and national economy. Markaz's Sustainability Strategy is founded on three main pillars, namely:

- **Building Human Capacity**
- **Aligning our Business Environment with the Principles of Sustainable Development**
- **Promoting Good Governance in the Business Environment**

Markaz has been consciously evolving its concept of

sustainability along the three pillars of human capacity development, sound governance and advocacy of the same wherever possible.

### Building Human Capacity

Out of its belief that the sustainable future of Kuwait relies on individual skills and capabilities, Markaz is keen to cooperate with viable non-profit organizations and contribute to human capacity building programs, in order to provide for and maintain sustainable progress. Markaz continues to support non-profit activities concerned with human capacity building, with particular attention to a number of fields of interest to society, which contribute to achieving sustainable development.

#### CASE STUDY

#### NGOs SUPPORT



In 2004, Markaz established the Union of Investment Companies to serve and develop the financial sector in Kuwait. Chairman, Mr. Diraar Y. Alghanim served as the Founding Chairman of UIC for five years.

Markaz also establishes relationships with various non-profit organizations so that it can contribute to the development of human resources and skills, which are keys to the sustainable development of Kuwait.

Markaz supports cultural activities organized by Loyac, an organization in Kuwait dedicated to youth development. Markaz shares Loyac's vision, understands the importance of building youth in the country, and strives to support their energy.

Markaz adopts outstanding but less privileged students in Palestinian universities, and if found wanting, it also supports their families, financially and morally. Markaz endorses the cause of the Palestinian Culture Center, which is a nonprofit organization dedicated to preserving the Palestinian heritage and identity and extends support to them in any way necessary. In the health sector, Markaz has been a constant supporter of the Kuwait Cooperation for Childcare in Hospitals (KACCH) and



the Cancer Center for Kids in Lebanon (CCCL) and charities that provide support for the physically challenged. Markaz sponsored the Child Life Program of Kuwait Association for the Care of Children in Hospital (KACCH). By supporting the Child Life program, Markaz enables the association's staff and volunteers to provide the highest standards of care to the children by reducing the stressful impact of hospitalization on sick kids and their families. Markaz renewed its sponsorship of the Child Life program to participate in the sustainability of this initiative that supported over 48,000 interventions.

Over the past years, Markaz is also a "Humanitarian Partner" with Kuwait Red Crescent Society. Together with KRCS, Markaz renders financial aid to patients who hail from low-income families.

Even as the world strives to alleviate the misery of the Syrians, Markaz launched an internal donation campaign and contributions collected from its Board of Directors and Employees were given to Kuwait Red Crescent Society, which works towards the human cause.

Any good corporate citizen must take upon itself to improve the lot of society is a credo that Markaz believes in.

#### CASE STUDY

#### SUPPORTING SMEs



Markaz believes that there is a genuinely urgent necessity to concentrate on building Kuwaiti entrepreneurs' skills to achieve economic diversification, especially with the decline in oil prices. Supporting small and medium enterprises (SMEs) and enforcing the role of youth and private sectors in the economy are major characteristics of Kuwait's economic vision for the future.

Markaz continues to provide ongoing support to programs aimed at the development of young professionals and small and medium enterprises through its support to the Third Gulf

Forum for Small and Medium Enterprises, organized by Shiraa Holding Company.

Markaz sponsored the Junior Achievement Programs (INJAZ),

which aims at enabling the youth to effectively contribute and participate in the creation of a competitive economy. Over 30 training hours were provided to youth by volunteering Markaz's qualified staff members.

Fulfilling its strategy to build human capabilities to enable and maintain a sustainable future, Markaz also sponsored FIKRA Program, a nonprofit program designed and managed by Cubical Service Inc. for business incubators. The initiative aims at supporting and assisting the youths to achieve their

aspirations and start their business ventures through providing opportunities that will help them overcome the obstacles of implementation and translating ideas to businesses. The program launched its 3rd season, after achieving huge success in the first and second seasons. Markaz takes pride in supporting such a useful program, with high levels of transparency and key performance indicators, which contributes to the development of small and medium enterprises to enhance the competency and build stronger, efficient youths.

## CASE STUDY

### CAPACITY BUILDING



**Organizations, especially those in the knowledge space, need to improve the capability of their team members. It is better that employees enhance their competency and leave the organization, than not improve their skills and stay within the company. Markaz has taken various capacity building initiatives in line with this thinking.**

#### The Develop & Hire Program

Fresh graduates face many challenges when it comes to understanding the nuances of different careers as there aren't many platforms to help them make informed choices. Understanding this gap, Markaz launched the Develop and Hire Program (MDHP) for fresh Kuwaiti graduates, through which Markaz selects some of the best candidates, and trains them in different departments to provide hands-on exposure. Markaz then chooses the most committed ones and helps them pursue their area of interest. This program is in progression; chosen candidates have completed experiencing different departments and have successfully selected their preferred field of work.

#### Markaz's Pivotal Exchange Forum

Markaz's Pivotal Exchange Forum is a platform for the company's human talent to express their opinions and ideas constructively on how to improve internal and external business environment, raise issues that are deemed critical by the attendees, and provide ideas on improving the competitiveness at Markaz. This allows employees to develop confidence and capabilities in public speaking and business articulation. Each member presents his views on the latest business trends and how it can be applied in Markaz to keep up with the international standards and achieve business sustainability.

#### Markaz held the Pivotal Exchange Forum 7 times starting 2015 on the following dates:

- 15/11/2015
- 20/12/2015
- 23/3/2016
- 1/12/2016
- 2/3/2017
- 16/4/2017
- 22/10/2017

#### Facts in Numbers

- 7 Forums
- 31 Speakers
- 8 Ideas Materialized
- 15 Topics
- 16 Ideas

During the reporting period, there were presentations on six topics and seven plans. Two of them (improving the internal corporate publication and establishing a guidebook that consolidates all CMA regulations) are currently under implementation. The revised edition presents enhanced and insightful analysis to Markaz's employees and shareholders. Implementation of the second idea has resulted in the publication of a legal guide combining the CMA laws and regulations in six books out of the existing 15 books. This guide will allow companies to better comply with the rules.

Effective corporate communication is critical for the sustainability of a corporation. The broader management of Markaz not only plays a pivotal role in the proper execution of Markaz's objectives, but also in coming up with creative ideas, innovative products, and modified systems that help further consolidate the positioning of our company. Every staff member is positioned to play a pivotal role not only between his or her superior and subordinates, but also in linking ideas, people, and networks from various functions. It was for this purpose that the company launched in 2015 the Markaz's Pivotal Exchange Forum.

The Forum will accelerate the flow of ideas from the general management to the executive management. It will invite managers and specialists staff members to every meeting. Each participant would be given 10 minutes to talk about a business-related topic, which can be ideas to improve the business including but not limited to:

- **New Opportunities:** Trends, investments, clients, markets
- **Market conditions:** Emerging trend, unforeseen risks, developments
- **Improved Efficiency:** Streamlining the business and workflow
- **Better Controls:** Risk management, automation, avoidance of errors
- **Improving the Work Environment:** Criticism, critical risk issues, awareness

of weaknesses

- **Improving Quality:** Training, human resources, better tools and resources
- **General:** Any other point that may be deemed essential, including any way that internal counterparty, supervisor, executive management, or any stakeholder can do a better job

Senior management members listen to the ideas shared and act on them if sound.

#### Peer-to-Peer Workshops - A Team Building and Skill Sharing Initiative

Markaz launched an organic initiative under which employees create and deliver targeted workshops for the benefit of other team members. The effort provides a platform for the department and individuals to enhance team collaboration, share skills across the department and offers personal and professional development to both the moderators and attendees. The main objectives of this quarterly in-house training are:

- **Team building:** Peer-to-peer training enhances team collaboration within the department, enlightens team members of the role of their peers, and assists in breaking down unit silos.
- **Professional and personal development:** The training provides a platform to share knowledge and skills, both horizontally and vertically, within the department's organizational chart. It is an excellent opportunity to transfer skills, experience, and expertise between business divisions.
- **Quick and easy to organize and relatively cheap:** Such opportunities help both the moderator and attendees improve their hard and soft skills. It also helps them hone their public speaking skills, which is a significant concern for many entry and mid-level executives. This practice adds value to presentations delivered externally too and enhances job satisfaction, morale and confidence of all participants.

**These initiatives are Markaz's baby steps towards increasing the competency of its workforce as also that of the citizens of Kuwait.**

## Aligning Our Business Environment with the Principles of Sustainable Development

In fulfilling its economic responsibility, Markaz was the first to publish research to broaden knowledge of the financial sector. At Markaz, a special department is dedicated to publish research. Markaz also collaborates with a number of global research institutes and thought leaders to generate economic policy researches in areas like energy, labor, economic structure and public

sector. The research is disseminated to decision makers and stakeholders in Kuwait, and research findings are discussed with them to reach best practical solutions.

In addition, Markaz collaborates with the Union of Investment Companies in Kuwait in initiatives aimed at improving the regulatory climate of the investment sector. Such initiatives produce opinions and recommendations concerning legislation drafts and proposals of the State's departments concerned.

### CASE STUDY

#### SCIENCE, TECHNOLOGY AND INNOVATION (STI) KNOWLEDGE TRANSFER



Markaz worked closely with Kuwait Direct Investment Promotion Authority (KDIPA) on two vital programs:



#### GE Kuwait Technology Center

Markaz endeavors to attract latest global technologies, create jobs that add value to the country, and grow an ecosystem that promotes business formation in Kuwait. The inauguration of the GE Kuwait Technology Center is a significant milestone in Kuwait's strategic effort to attract multinational firms to Kuwait in this regard.

Markaz's cooperation with GE started in 2013. It acted as GE's financial advisor right from the concept phase of GE Kuwait Technology Center where it had to identify high-quality projects in Kuwait for GE to invest in, to formulate the business plan, and implement its roadmaps. The GE Kuwait Tech Center will transfer technology, expertise, and knowledge to the regional power sector through professional training and specialized engineering services. The Center will also cater to the tooling needs of power-sector clients across the Middle East and Africa. Markaz is renowned for its capability to understand the needs of multinationals, their complex financial and operational objectives, and bringing them to the local business environment in Kuwait. We also assist in overcoming their legal and tax constraints, which many MNCs struggle to cope.



#### National Offset Program

In September 2014, Kuwait announced the suspension of its offset program. The suspension, which had some mandatory requirements regarding investing in Kuwait for foreign companies winning essential contracts, was seen encouraging the business climate. Kuwait cited criticism of many international firms as one of the critical reasons for the freeze on the program. But, a call was taken that the program would be revised and implemented in a relatively moderate way to encourage international firms to participate.

An Offset Program, when correctly implemented, has a significant positive impact on the country and its citizens. Markaz itself has provided offset advisory support in the past to a Kuwaiti entity (Dasman Diabetes Institute). Hence, Markaz advocates that Kuwait should reinstate the Offset Program with the aim of enhancing the country's technical capabilities, creating job opportunities and developing local talent. Hence, Markaz submitted a proposal to KDIPA to re-evaluate the National Offset Program, and suggested potential reforms to activate the program again by highlighting some of the challenges facing the offset obligors, and ways to address them.

## Promoting Good Governance in the Business Environment

The public sector plays a vital role in the allocation and use of economic resources in Kuwait, given the importance of the government's expenditures and role in economic development. Efforts shall be deployed in order to promote the performance of the public sector to drive economic development.

Markaz endeavors to provide a business environment capable of achieving sustainable development through

the implementation of good governance principles in the public and private sectors alike. To ensure this, Markaz collaborated with Kuwait Economic Society, the independent non-governmental organization founded in Kuwait in 1970.

This collaboration focused on implementing governance principles in public institutions, and was embodied in a series of publications, lectures and roundtable discussions that brought key stakeholders in Kuwait with international experts.

## CASE STUDY

## PUBLIC SECTOR REFORMS' INITIATIVE WITH KUWAIT ECONOMIC SOCIETY (KES)



The public sector plays a vital role in the allocation and utilization of economic resources in Kuwait. Given the magnitude of government spending and importance of the role of the governments in economic development, especially in the Middle East, Markaz wanted to combine efforts to boost public sector performance and enhance economic growth.

Thus, Markaz has established collaboration with Kuwait Economic Society, the independent non-governmental organization. This collaboration has been focusing on implementing governance principles in public institutions and has conducted lectures and roundtable discussions bringing key stakeholders in Kuwait with international experts. Markaz have also released a series of publications in this regard.

#### Key activities of Markaz with Kuwait Economic Society on implementing good governance principles in the public sector include:

Markaz came out with a few important booklets, outlined below in greater detail.

1 **Booklet titled:** "Guide for Review of Governance Practices in Public Sector for Enhancing the Efficiency of Public Institutions"– January 2015.

- The purpose of the guide was to serve as a governance charter for government departments in Kuwait.

The following proposals of the participating entities were laid out:

- The citizen's right to appeal administrative matters in courts and the necessity for creating a Special Court of Appeals.
- The adoption of the principle and process of public consultations to reach an advanced level of transparency in the study, approval, and ratification of laws and regulations.

2 **Booklet titled:** "Proposed Government Action Plan to Implement Administrative Reform Policies in Kuwait's Public Sector"– April 2014

The purpose of this publication was to serve as a launch pad to introduce reform processes in the country. Feasibility of implementation of the suggested reforms without undermining the urgency of the need for changes to achieve equilibrium in the national economy was discussed.

The report focuses on four policies, namely:

- Introduction of mandatory good governance principles in government institutions (transparency, conflict of interest mitigation, performance evaluation, and accountability)
- Creation of a strong pool of public administration leaders
- Creation of "islands of efficiency" in the public sector and protection of their independence
- Creation and support of mechanisms for coordination between government agencies

3 **Booklet titled:** "Toward Public Sector Reform in Kuwait: Four Policies for Administrative Reform"– September 2013

- This initiative was based on a study conducted by Dr.

Steffen Hertog, Associate Professor in Comparative Politics in the Department of Government at the London School of Economics and Political Science. The key findings were published in Al Qabas Newspaper on 27 July 2013.

#### Apart from abstracts and publications, Markaz also organized workshops which aimed at achieving institutional excellence in the public sector and enhancing public sector competitiveness.

The workshops concentrated on educating and increasing awareness in the society on governance of Kuwait's public sector and determining legal discrepancies and obstacles impeding its progress. The workshops also reviewed the need to update the legislative and regulatory framework of the government.

Participants in this activity included some key government entities, namely:

- Ministry of Commerce and Industry
- Anti-Corruption Authority
- Public Authority for Minors' Affairs
- Kuwait University
- The Public Authority for applied education and training
- The Public Authority of agriculture affairs and fish resources
- State Audit Bureau of Kuwait

This workshop included the following discussions:

- Citizen's right to get what services he need for good governance.
- Governance transparency for government institutions.
- Conflict of interest as a hurdle for excellent management in institutions.
- Human resources policies
- Choosing leaders based on merit in an unbiased way without social and political consideration
- Performance evaluation
- Accounting
- Building capacity and institutions
- Ease of working and its relation to management efficiency
- Internal audit to manage risks
- The importance of 'good' governance and institutional effectiveness and its relation to the decline of oil prices in GCC countries.
- Anti-corruption and its relationship with management upgrades.



## Corporate Governance at Markaz

### Internal Control

#### Internal Control Systems

The integrity and reliability of the internal control systems are achieved through policies and procedures, process automation, careful selection of employees, bringing awareness to the staff, and an organizational structure that segregates responsibilities. Risk Control Self Assessments (RCSA), compliance testing and reviews are conducted periodically by the Risk Management Department and Compliance Department respectively.

#### Internal Audit

The internal audit function has been outsourced to Ernst & Young Consultancy Company W.L.L – Ahmed Al Aiban and Partner and the function is overseen by the registered Internal Audit Officer within Markaz.

#### Risk Management

The Board sets the tone for Markaz risk culture and philosophy and approves the overall risk management framework, policies and procedures that are implemented in Markaz and its related entities.

### Compliance

The Company has a Compliance department that reports to the CEO. The Compliance department ensures that the Company is committed to the laws and regulatory requirements and to follow up on the Company's disclosure to regulatory authorities.

### Board of Directors

The Board of Directors (Board) of the company consists of seven members. The Board has oversight responsibilities for ensuring the integrity of the Company's accounting systems and financial reporting, implementing the corporate governance and internal control systems, ensuring the independent functioning of external and internal auditors and overall monitoring of the business practices and the adoption of ethical standards of the Company. The Board is also responsible for approving the policies and procedures of the Company, including the mechanism for protecting the stakeholders' rights and regulating the related party transactions.

The Board of the company consists of seven members as follows:

Board Member	Board member type
Mr. Diraar Yusuf Alghanim	Chairman
Sheikh Humoud Sabah Al-Salem Al Sabah	Vice Chairman
Mr. Faisal AbdulAziz Al-Jallal	Independent Director
Mr. Ayman Abdullatif Alshaya	Non-executive Director
Mr. Fahad Yaqoub Al-Jouan	Non-executive Director
Mr. Fouzi Ebrahim Al-Mukaimi	Non-executive Director
Mr. Adel Mohammed Alghannam	Independent Director

#### The principal responsibilities of the Board include the following:

- Approving the objectives, strategies, plans and essential policies of the Company.
- Approving the annual budgets, interim and annual financial statements.
- Monitoring the major capital expenditures of the Company and the process of acquiring and disposing of assets.
- Ensuring compliance with the company's articles and memorandum of association, internal policies and procedures and applicable laws and regulations.
- Setting up effective channels of communication for shareholders in order to enable them to be informed continuously and on a periodic basis of the various activities of the Company and any significant developments.
- Developing a corporate governance system for the Company and monitoring the level of its effectiveness.
- Ensuring that the Company's policies and procedures are transparent and clear to allow the decision making process, achievement of mature corporate governance principles and the segregation of authorities amongst the Board of Directors and Executive Management.
- Defining the authorities that are delegated to the Executive Management, the decision making procedures, and the delegation period.

- Supervising and monitoring the performance of the Executive Management.
- Determining the remuneration categories given to employees
- Appointing or terminating Executive Management members
- Markaz's Board members participate in a range of training programs. In addition to a formal induction program, Board members receive regular updates designed to keep them abreast of the matters relating to their duties and responsibilities as Board members.

## Corporate Governance Ecosystem

### Customer Privacy

Markaz has a policy in place that stipulates that all its employees should comply with the principle of confidentiality and respect the obligation of discretion in order to protect business confidentiality. The circulation of confidential information is also limited to staff members on a need-to-know basis. The obligation to preserve confidential information continues even after employment ends.

All information with respect to a client's affairs, whether or not sensitive and unless it is publicly available and unless authorized to be disclosed by the client or Markaz's Management, is expected to be kept confidential. The policy mandates that the customer information is never discussed with anyone outside Markaz except as may be required in the performance of services in relation to that client. Additionally, local regulations also demand that Markaz stringently restrict the disclosure of information about its customers, including the simple fact that a person is a customer of Markaz.

In addition to the general principles regarding confidentiality and the passing of confidential information outside Markaz, there are also important rules governing the passing of information within the Company. These are often referred to as "Chinese" Walls. Chinese Walls are arrangements which require unpublished price-sensitive information obtained by persons employed in one part of Markaz to be withheld from persons in another part of Markaz.

The employees who come into possession of unpublished price-sensitive or confidential information should abide by the guidelines to maintain confidentiality. Ordinary customer information is expected to be passed to another employee, on a need-to-know basis. On the contrary, unpublished price-sensitive information covered by insider dealing is subject to significantly greater control. Such information is only be used for the legitimate business purpose for which it was given, and must not under any circumstances be passed on to anyone inside or outside Markaz, not directly concerned with that specific information.

In some circumstances, it may be appropriate to pass customer information to another business unit. Such information may be communicated with the knowledge of the respective Department Head, in accordance with the respective guidelines and with the understanding that those receiving the information will observe the same degree of confidentiality.

Markaz has implemented a process of managing client complaints through a dedicated unit - Complaints Cell. The unit is responsible for receiving, acknowledging, reporting and coordinating for timely resolution of complaints received. The process to complain and the complaint forms are available on the website and offices. Timely reporting of the complaint status (including receipt) is made to the applicable regulators.

To maintain an open culture with the highest standards of honesty and accountability, where all stakeholders can report legitimate concerns in confidence, Markaz has in place a whistle-blower policy. The purpose of the policy is to uphold the integrity and ethical behavior by helping foster and maintain an environment, where all the "good faith" concerns or suspicions of malpractices, illegal, unethical or other inappropriate activities or any type of misconduct shall be reported without fear of punishment or retaliation of any kind.

During the reporting period there were no instances of complaints or leaks related to customer privacy.

### Anti-competitive Behavior

Markaz avoids any activities that unfairly or illegally reduces or eliminates competition, controls prices or excludes competitors. Markaz does not enter into agreements with other financial institutions to unduly influence prices, charges, profits and service, or supplier selection. Markaz has no legal actions for anti-competitive behavior, anti-trust and monopoly practices against it.

### Anti-corruption

Markaz's Anti-bribery, Corruption and Fraud policy is approved by the Board and is communicated to all board of directors and employees. The Anti-bribery, Corruption and Fraud Policy applies to all the operations of the Company and its managed entities, irrespective of their jurisdiction, country and business. The Company's code of conduct, conflict of interest, Gifts, Gratuities and Business Courtesies policies, also address the Company's policy of zero tolerance approach to fraud, bribery and corruption.

Based on the continuous risk monitoring exercise through breaches and errors reporting, the Company did not have instances of bribery, corruption and fraudulent practices in the Company's operations.

### **Anti-Money Laundering (AML) & Combating Financing of Terrorism (CFT)**

Markaz is regulated and falls under the supervision of the Capital Markets Authority (CMA), Central Bank of Kuwait (CBK), Ministry of Commerce and Industry (MOCI), and Kuwait Stock Exchange (KSE). Markaz recognizes that adherence to the legislations and regulatory instructions pertinent to AML & CFT will not only result in the Company being in compliance with the local legislations, but it will also mitigate the risks the Company may be exposed to.

Markaz has implemented an Anti-Money Laundering (AML) & Combating Financing Terrorism (CFT) policy. The AML Policy statement is available on Markaz website ([www.markaz.com](http://www.markaz.com)). All employees get annual training on AML and CFT to learn how to deal with any suspicious cases.

### **Human Rights Assessment**

Markaz believes that its pillar “Building Human Capacity” is incomplete without respecting the human rights and dignity of all people. Markaz does not have a formal human rights policy, however, it falls within the ambit of Sustainability Strategy’s second pillar “Aligning our Business Environment with the Principles of Sustainable Development” and the Code of Conduct. Furthermore, we adhere to the relevant laws in all our jurisdictions and all agreements concluded by Markaz with third parties (clients, suppliers, and/or employees), have provisions stipulating and applying human rights, such as rights of ownership, rights of exercising economic rights (voting, attending ordinary and extraordinary Annual General Meetings), employment rights and quiet enjoyment of personal properties.

### **Marketing and Labeling**

Markaz’s staff must maintain fairness and objectivity in all dealings with clients and when providing investment analysis, making investment recommen-

dations, taking investment action, or engaging in other professional activities. The product should also be suitable for, and meet the requirements of the customer and should be marketed with transparency about all related information.

When a Markaz’s staff/department is/are involved in an advisory relationship with a client, they must make a reasonable inquiry into a client’s or prospective clients’ investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly. When communicating investment performance information, Markaz’s staff must make reasonable efforts to ensure that it is fair, accurate, and complete.

As a licensed asset management and investment banking institution, Markaz’s products (funds and portfolios) and services (advisory and investment banking) agreements carry disclosures and disclaimers mandated by Regulators, and industry’s best practices.

### **Socioeconomic Compliance**

Markaz has established adequate policy and systems in place to ensure compliance with laws and regulations. In addition, the Compliance and Legal department ensures that the applicable regulatory requirements are communicated to all relevant business units. The Compliance Department ensures that adequate internal controls are in place to maintain ongoing compliance and conducts periodic spot audits. There were no instances of non-compliance with laws and regulations in the social and economic area during the reporting period.

### **Public Policy**

During the reporting period, Markaz has not provided any sort of political contributions whether directly or indirectly. However, Markaz entered into partnerships with many reputable think tanks and developed a number of public policies in different sectors.



## CASE STUDY

## RESEARCH &amp; DEVELOPMENT



Research is the backbone for the dynamic progress of any country, society or institution. Aligning applied research philosophies with local realities, and creating simple solutions capable of implementation are the way forward. Markaz seeks to achieve that in Kuwait by establishing effective partnerships with global research majors.

Marmore MENA Intelligence, established in Chennai in 2010 as a subsidiary of Markaz, pivots economic policy research by acting as an R&D vehicle. Through the Indian subsidiary, Markaz signed a MOU in 2012, with IFRI, Institut Français des Relations Internationales. It is also notable that Markaz called upon stakeholders to set up of a Public Policy Center to boost international competitiveness.

The French Institute of International Relations has since been a long-standing partner of Markaz. This Paris-based independent research institute dedicated to international affairs, and public policies helps enhance interaction and constructive dialogues amongst researchers, professionals and opinion leaders. Through this partnership, internationally renowned experts offer their impressive views on global issues, which are of interest to Kuwait's economy. These were part of a series of publications titled *Towards Sustainable Economic Development*, by Markaz and IFRI that stimulates debate on key challenges and possible solutions in the area of alternative energy.

Under the theme "Towards Sustainable Economic Development", Markaz has published the following reports to stimulate discussion on fundamental challenges and reach possible solutions:

#### Powering Kuwait into the 21<sup>st</sup> Century Alternatives for Power Generation

The report sheds light on the need for diversifying Kuwait's economy as an alternative to reliance on the oil sector. Oil revenues represent 95% of Kuwait's budget. A large percentage of this revenue is distributed to the populace in the form of subsidies, or directly through jobs provided by the public sector which employs half of the country's Kuwaiti manpower. While Kuwait faces a rise in electric power consumption, the currently used fuel mix based on oil will not last long.

The report addresses the need to achieve power efficiency where the per capita consumption of water and electricity in Kuwait is among the highest in the world.

The report also discusses challenges to the sustainability of the electricity sector in Kuwait up to 2035, and emphasizes that based on the current growth rate of electric power consumption, the use of oil as a fuel to generate power is no longer practicable.

#### Kuwait's Sustainable Power Alternatives in the 21<sup>st</sup> Century

The report sheds light on the sharp increase in power consumption in Kuwait. The fuel mix that is currently used to generate power based on oil is not sustainable. This mix can be improved by finding alternatives to oil, such as gas and renewable energy sources. Given the shortage of gas in the region, and whereas Kuwait lists independence of supply as a political priority, the use of renewable energy, particularly solar energy, should be considered as part of the fuel mix used to generate electricity, especially with the availability of important renewable energy sources.

The report also points out that the Government has cancelled the nuclear power plant projects for security reasons. The report recommends the creation of a regional power generation market capable of helping to reduce costs, strengthen the security of energy resources and improve local electricity regulations.

#### Kuwaitis and the private sector: Possible policies towards effective Kuwaitization of the labor market

Kuwaitization is in principle of utmost importance to all key stakeholders, be it government entities, private businesses or Kuwaiti citizens. The Kuwaitization policy aims at creating better economic opportunities for citizens. The report addresses relevant views and findings.

#### Proposed tools to support the private sector in the State of Kuwait

The report addresses the role of the private sector in the Kuwaiti economy, and recommends steps which can be taken by the State to exploit the untapped economic capabilities of the State of Kuwait, pushing it forward on the road to sustainable development and comprehensive growth.

#### Review of Kuwait's Public Private Partnership (PPP) Law and its proposed amendments

The report advocates the private public partnership (PPP) model of development. This model enables governments to efficiently execute large-scale, complex projects that are capital intensive. Thus governments are able to tap into financial resources and expertise of private players by sharing risks, resources, responsibilities and rewards.

#### Power sector privatization and diversification policies: GCC experiences and possible solutions

The report addresses renewable energy projects which have emerged as a new theme in GCC countries. GCC states compete for leadership in innovation, demonstrating aspirations in the renewable energy field. The solution to the energy problem is clearly manifested in enhancing efficiency, whereas power efficiency continues to linger on the waiting list in GCC countries.

Markaz also collaborates with experts from prominent academic institutions. A few noteworthy associations are its collaboration with Dr. Steffen Hertog of the London School of Economics and Political Science and professor Nathan Hodson of Princeton University.

For Kuwait Foundation for the Advancement of Sciences (KFAS), Markaz (through its subsidiary Marmore) completed two extensive Knowledge Economy research projects. The studies are *An Innovation driven Economic Diversification Strategy for Kuwait* (in partnership with Professor Bjorn T. Asheim (University of Stavanger-Norway and at CIRCLE, Lund University-Sweden); and *Identifying Priority Sectors in Kuwait*. The former was a detailed economic diversification study that studies likely roadmaps for achieving Kuwait's economic and competitiveness objectives. The latter research is a multisector study that analyses the constellation of sectors that stand a competitive chance of thriving in Kuwait.

## Environmental Stewardship

Markaz is aware of the fact that there is an increasing trend towards being compassionate about caring for the environment by corporates. Markaz considers it a societal obligation to advance the wellbeing of society, which means that it includes caring for the environment as well. Though Markaz does not have in place a struc-

tured program for environmental stewardship currently, the company plans to develop a comprehensive one by consulting with all major stakeholders, both within and outside the company.

For now, Markaz has no incidences of non-compliance with the environmental laws and regulations.

## Our Risk Management Strategy for Introducing New Products

Markaz adopts a systematic and cautious approach for introducing any new products, with the series of process checks and controls. Prior to the launching of new products, an in-depth feasibility study, covering the technical, financial, operational, legal and regulatory

aspects, are conducted. Also, appropriate AML and product risk assessments are performed and approvals from the management committee and board committees, wherever required, are obtained.

## Stakeholder Engagement Approach

Our commitment to understanding the needs and interests of our stakeholders is central to the continued success of our business. We believe that the strength of our relationships with all our key stakeholders is critical in the achievement of our strategic objectives and creating sustainable long-term value for us and our stakeholders.

Stakeholders' engagement involves gaining a thorough understanding of our key stakeholder groups and assessing the issues that are material to them to respond appropriately. The following table provides an overview of our stakeholder engagement activities and their expectations that supported the formulation and delivery of our sustainability strategy.

Since, the identified sustainability goals at the end of the exercise are for long-term basis, we will carry out this exercise every five years. However, if we sense disconnect between Markaz's sustainability goals and stakeholders' expectations, national and global interest, we would repeat the process before that to assess the relevance of our sustainability goals.

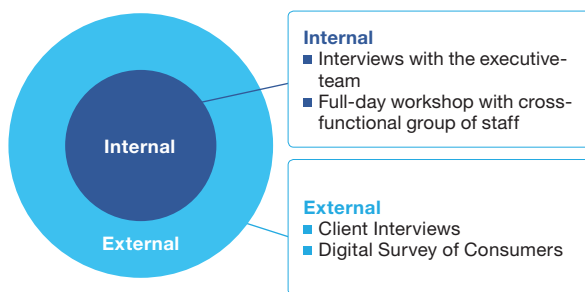
Markaz engaged with both external and internal stakeholders using a combination of approaches such as interviews, workshops and surveys to understand the stakeholders' expectation. Some of the stakeholders' expectations are as follows:

### Stakeholder Expectations from Markaz

Shareholders	Transparency, acceptable dividends and market value
Government Institutions	Long-term low risk investment with acceptable returns, professional execution and support
Corporate Clients	Profitability, professional execution and expertise
HNW Individuals	They look for responsive client service and profitable investment options to grow their wealth
Distributors	Innovative and profitable investment solutions that meet their clients needs
Regulators	Responsible conduct, sound governance practices, compliance and transparency
Public at Large	Responsible Kuwaiti institution that adds value to the economy and the society
Vendors	Professional and timely business practices
Loaners (Banks & Bonds Subscribers)	Healthy financial sheet and good reputation

## Stakeholder Engagement Process

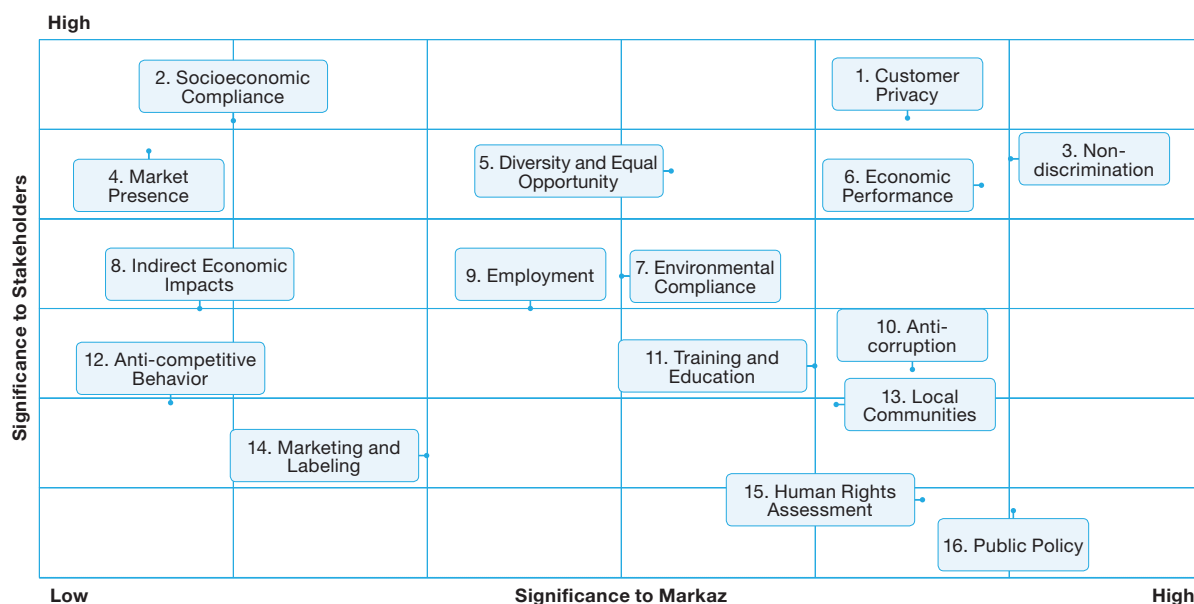
Engage on two levels to produce final outcome



## Materiality Analysis

We undertook a comprehensive materiality assessment in 2016, following best practice outlined by the international reporting standard, the Global Reporting Initiative (GRI). Based on internal consultation and an analysis of the areas that are most important to our stakeholders, we identified the below listed 16 topics that

are most relevant to the sustainability of our business. We are aware that our material issues are dynamic in nature and are likely to keep changing over a period of time. Hence, Markaz is committed to review the materiality analysis on a regular basis and redefine our assessment practice to stay relevant with the changing times.



## 4

# Appendix

As an industry leader with moral obligation and social consciousness, Markaz is highly dedicated to both the Kuwait National Development Plan (KNDP) and UN Sustainable Development Goals (SDGs) and is working to help achieve this national and global agenda. The table below elaborates how different initiatives Markaz has embarked on synchronize with the KNDP and UN SDG.

## Kuwait National Development Plan

KNDP Pillars	Markaz Initiatives
Global Position: Enhance Kuwait's regional and global presence in spheres such as diplomacy, trade, culture, and philanthropy	<ul style="list-style-type: none"> <li>Markaz and Marmore collaborate with prominent experts from major academic institutions to facilitate research &amp; development.</li> <li>Markaz commissioned studies with policy research scholars from the London School of Economics (U.K.) and from Princeton University in the U.S.</li> <li>Through Marmore as a R&amp;D vehicle, Markaz initiated its economic policy research in cooperation with IFRI, a leading Paris (France)-based research institution that specializes in energy studies.</li> </ul>
Human Capital: Reform the education system to better prepare youth to become competitive and productive members of the workforce	<ul style="list-style-type: none"> <li>Markaz sponsored the 2<sup>nd</sup> edition of the Fikra Program, a nonprofit program designed and managed by Cubical Service Inc. for business incubators.</li> <li>Markaz hosted a group of Al-Bayan Bilingual School (BBS) senior students to explain to them how investment companies work.</li> <li>Markaz launched a Develop &amp; Hire Program (MDHP) for fresh Kuwaiti Graduates.</li> <li>Markaz supports outstanding students at the Indian Community School in Kuwait to motivate them to continue their academic success.</li> <li>Markaz's initiative "Pivotal Exchange Forum", is a platform for its employees to express opinions to improve business environment, raise issues and provide ideas to improve the competitiveness at Markaz.</li> <li>Markaz has been a leader in Kuwait in respect to empowering skilled and highly qualified women to key positions within the company. Presently, 29% of total employees and 6% in executive management are women.</li> </ul>
Healthcare: Improve service quality and develop national capabilities in the public healthcare system at a reasonable cost.	<ul style="list-style-type: none"> <li>Markaz advocated supporting local non-profit organizations such as Kuwait Red Crescent Society (KRCS), Kuwait Association for the Care of Children in Hospital (KACCH) and Loyal to allocate part of the Zakat to their organizations.</li> </ul>
Living Environment: Ensure the availability of living accommodation through environmentally sound resources and tactics.	
Infrastructure: Develop and modernize the national infrastructure to improve the quality of life for all citizens.	
Economy: Develop a prosperous and diversified economy to reduce the country's dependency on oil export revenues.	<ul style="list-style-type: none"> <li>Markaz worked closely with KDIPA on vital programs such as GE Kuwait Technology Center and National Offset Program.</li> <li>Markaz played a key role in the establishment of the Union of Investment Companies (UIC), which continues to serve and develop the financial sector in Kuwait.</li> <li>Markaz has developed new concepts and innovations through the creation of new investment channels, each with unique characteristics, in order to widen the investors' horizons.</li> <li>Markaz, through its subsidiary, Marmore partnered with KFAS and completed two extensive Knowledge Economy research projects namely, "An Innovation driven Economic Diversification Strategy for Kuwait" and "Identifying Priority Sectors in Kuwait".</li> </ul>
Public Administration: Reform administrative and bureaucratic practices to reinforce transparency, accountability & efficiency in the government.	<ul style="list-style-type: none"> <li>Markaz launched the "Public Sector Management Reform" initiative in cooperation with the KES to implement the principles of governance in state institutions.</li> <li>Markaz issued a study addressing the obstacles they face as medium size real estate evaluators and what procedures can be done to engage and involve them in the industry.</li> </ul>

## UN Sustainable Development Goals

United Nations Sustainable Goals	Markaz Initiatives
No Poverty	<ul style="list-style-type: none"> <li>Cooperation with Kuwait Red Crescent Society (KRCS) for alleviating the humanitarian crisis of Syrian people by launching an internal fundraising campaign among Markaz's board of directors and employees, and submitting the donations to KRCS for delivery to affected Syrian families.</li> </ul>
No Hunger	<ul style="list-style-type: none"> <li>Cooperation with Kuwait Red Crescent Society (KRCS) for alleviating the humanitarian crisis of Syrian people by launching an internal fundraising campaign among Markaz's board of directors and employees, and submitting the donations to KRCS for delivery to affected Syrian families.</li> </ul>
Good Health	<ul style="list-style-type: none"> <li>Markaz advocated supporting local non-profit organizations such as Kuwait Red Crescent Society (KRCS), Kuwait Association for the Care of Children in Hospital (KACCH) and Loyac to allocate part of the Zakat to their organizations.</li> </ul>
Quality Education	<ul style="list-style-type: none"> <li>Markaz launched a Develop &amp; Hire Program (MDHP) for fresh Kuwaiti Graduates.</li> <li>Markaz supports outstanding students at the Indian Community School in Kuwait to motivate them to continue their academic success.</li> </ul>
Clean Water And Sanitation	-
Peace and Justice	<ul style="list-style-type: none"> <li>Markaz sponsored the Global Peace concert organized by Loyac Academy of Performing Art (LAPA) with the aim to spread peace and forgiveness.</li> </ul>
Partnerships for the Goals	<ul style="list-style-type: none"> <li>Markaz hosted a group of Al-Bayan Bilingual School (BBS) senior students to explain to them how investment companies work.</li> <li>Markaz sponsored the 2<sup>nd</sup> edition of the Fikra Program, a nonprofit program designed and managed by Cubical Service Inc. for business incubators.</li> <li>Markaz uses Marmore to collaborate with prominent experts from major academic institutions to facilitate research &amp; development.</li> <li>Markaz worked closely with KDIPA on vital programs such as GE Kuwait Technology Center and National Offset Program.</li> <li>Markaz played a key role in the establishment of the Union of Investment Companies (UIC), which continues to serve and develop the financial sector in Kuwait.</li> <li>Markaz commissioned studies with policy research scholars from the London School of Economics (U.K.) and from Princeton University in the U.S.</li> </ul>
Sustainable Cities And Communities	<ul style="list-style-type: none"> <li>Markaz launched the "Public Sector Management Reform" initiative in cooperation with the KES to implement the principles of governance in state institutions.</li> <li>As an effort to strengthen the performance of the public sector with a view to stimulating economic development.</li> </ul>
Gender Equality	<ul style="list-style-type: none"> <li>Markaz has been a leader in Kuwait in respect to empowering skilled and highly qualified women to key positions within the company.</li> <li>Presently, 29% of total employees and 6% in executive management are women.</li> </ul>
Good Jobs and Economic Growth	<ul style="list-style-type: none"> <li>Markaz issued a study addressing the obstacles they face as medium size real estate evaluators and what procedures can be done to engage and involve them in the industry.</li> <li>Markaz initiative "Pivotal Exchange Forum" is a platform for its employees to express opinions to improve business environment, raise issues and provide ideas to improve the competitiveness at Markaz.</li> <li>Markaz, through its subsidiary, Marmore partnered with KFAS and completed two extensive Knowledge Economy research projects namely, "An Innovation driven Economic Diversification Strategy for Kuwait" and "Identifying Priority Sectors in Kuwait".</li> </ul>
Reduced Inequalities	-
Responsible Consumption	-
Innovation and Infrastructure	<ul style="list-style-type: none"> <li>Markaz has developed new concepts and innovations through the creation of new investment channels, each with unique characteristics, in order to widen the investors' horizons.</li> </ul>
Climate Action	-
Life Below Water	-
Life on Land	-
Renewable Energy	<ul style="list-style-type: none"> <li>Using Marmore as a R&amp;D vehicle, Markaz initiated its economic policy research in cooperation with IFRI, a leading Paris (France)-based research institution that specializes in energy studies.</li> </ul>

# 5 GRI Report Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/Notes
<b>General Disclosures</b>			
GRI 102:	<b>Organization Profile</b>		
General Disclosures	Disclosure 102-1: Name of the organization	6	
	Disclosure 102-2: Activities, brands, products, and services	6-11	
	Disclosure 102-3: Location of headquarters	6	
	Disclosure 102-4: Location of operations	6-11	
	Disclosure 102-5: Ownership and legal form	7	
	Disclosure 102-6: Markets served	7-9	
	Disclosure 102-7: Scale of the organization	6-11	
	Disclosure 102-8: Information on employees and other workers	11-13	
	Disclosure 102-9: Supply chain	15	
	Disclosure 102-10: Significant changes to the organization and its supply chain	15	
	Disclosure 102-11: Precautionary Principle or approach	8, 24	
	Disclosure 102-12: External initiatives	26, 27	
	Disclosure 102-13: Membership of associations	-	Union of Investment Companies - Institute of International Finance - Chairman's Club Kuwait - The Gulf Bond and Sukuk Association - Kuwait Financial Market Association - Society of Human Resource Management
	<b>Strategy</b>		
	Disclosure 102-14: Statement from senior decision-maker	3-5	
	<b>Ethics and Integrity</b>		
	Disclosure 102-16: Values, principles, standards, and norms of behavior	6	
	<b>Governance</b>		
	Disclosure 102-18: Governance structure	20	

<b>Stakeholder Engagement</b>		
Disclosure 102-40: List of stakeholder groups	24	
Disclosure 102-41: Collective bargaining agreements	Not applicable	Labor unions are not prevalent
Disclosure 102-42: Identifying and selecting stakeholders	24	
Disclosure 102-43: Approach to stakeholder engagement	24	
Disclosure 102-44: Key topics and concerns raised	25	
<b>Reporting Practice</b>		
Disclosure 102-45 Entities included in the consolidated financial statements	7	
Disclosure 102-46 Defining report content and topic Boundaries	2-5, 24, 25	
Disclosure 102-47 List of material topics	2, 25	
Disclosure 102-48 Restatements of information	Not applicable	Reporting for the first time
Disclosure 102-49 Changes in reporting	Not applicable	Reporting for the first time
Disclosure 102-50 Reporting period		June 2016 - June 2017
Disclosure 102-51 Date of most recent report	Not applicable	Reporting for the first time
Disclosure 102-52 Reporting cycle	Annual	
Disclosure 102-53 Contact point for questions regarding the report		- media&communications@markaz.com
Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	
Disclosure 102-55 GRI content index	28-33	

**GRI 200: Economic****Economic Performance**

GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	
Management Approach	Disclosure 103-2: The management approach and its components	3-5, 8	
	Disclosure 103-3: Evaluation of the management approach	3-5	
GRI 201: Economic Performance	Disclosure 201-1: Direct economic value generated and distributed	10	
	Disclosure 201-3: Defined benefit plan obligations and other retirement plans	11-13	
	Disclosure 201-4: Financial assistance received from government	Not applicable	No financial assistance received from the Government

<b>Market Presence</b>		
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25
Management Approach	Disclosure 103-2: The management approach and its components	11-13
	Disclosure 103-3: Evaluation of the management approach	13
GRI 202: Market Presence	Disclosure 202-2: Proportion of senior management hired from the local community	12
<b>Indirect Economic Impacts</b>		
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25
Management Approach	Disclosure 103-2: The management approach and its components	3-5
	Disclosure 103-3: Evaluation of the management approach	3-5
GRI 203: Indirect Economic Impacts	Disclosure 203-1: Infrastructure investments and services supported	11
	Disclosure 203-2: Significant indirect economic impacts	9, 11, 13, 14
<b>Anti-corruption</b>		
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25
Management Approach	Disclosure 103-2: The management approach and its components	21
	Disclosure 103-3: Evaluation of the management approach	21
GRI 205: Anti-corruption	Disclosure 205-1: Operations assessed for risks related to corruption	20-21
	Disclosure 205-2 Communication and training about anti-corruption policies and procedures	21
	Disclosure 205-3 Confirmed incidents of corruption and actions taken	21
<b>Anti-competitive Behavior</b>		
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25
Management Approach	Disclosure 103-2: The management approach and its components	21
	Disclosure 103-3: Evaluation of the management approach	21
GRI 206: Anti-competitive Behavior	Disclosure 206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	21
<b>GRI 300: Environmental</b>		
<b>Environmental Compliance</b>		
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25
Management Approach	Disclosure 103-2: The management approach and its components	23
	Disclosure 103-3: Evaluation of the management approach	23
GRI 307: Compliance	Disclosure 307-1: Non-compliance with environmental laws and regulations	Markaz has no incidences of non-compliance with the environmental laws and regulations



GRI 400: Social			
<b>Employment</b>			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	(Socioeconomic Compliance)
Management Approach	Disclosure 103-2: The management approach and its components	11-13	
	Disclosure 103-3: Evaluation of the management approach	11-13	
GRI 401: Employment	Disclosure 401-1: New employee hires and employee turnover	12	
	Disclosure 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	13	
	Disclosure 401-3: Parental leave	13	
<b>Training and Education</b>			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	(Socioeconomic Compliance)
Management Approach	Disclosure 103-2: The management approach and its components	13	
	Disclosure 103-3: Evaluation of the management approach	13	
GRI 404: Training and Education	Disclosure 404-1: Average hours of training per year per employee	13	
	Disclosure 404-2: Programs for upgrading employee skills and transition assistance programs	13	
	Disclosure 404-3: Percentage of employees receiving regular performance and career development reviews	13	Training and Development needs are identified during the competency assessment conducted every two years and prioritized with the department heads as per business needs for the coming year and Personal Development Plans (PDPs) are formulated accordingly
<b>Diversity and Equal Opportunity</b>			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	
Management Approach	Disclosure 103-2: The management approach and its components	12	
	Disclosure 103-3: Evaluation of the management approach	12	
GRI 405: Diversity and Equal Opportunity	Disclosure 405-1: Diversity of governance bodies and employees	12	
	Disclosure 405-2: Ratio of basic salary and remuneration of women to men	12	
<b>Non-discrimination</b>			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	
Management Approach	Disclosure 103-2: The management approach and its components	12	
	Disclosure 103-3: Evaluation of the management approach	12	
GRI 406: Non-discrimination	Disclosure 406-1 Incidents of discrimination and corrective actions taken	12	

Human Rights Assessment			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	
Management Approach	Disclosure 103-2: The management approach and its components	21	
	Disclosure 103-3: Evaluation of the management approach	22	
GRI 412: Human Rights Assessment	Disclosure 412-1: Operations that have been subject to human rights reviews or impact assessments	21	
	Disclosure 412-2: Employee training on human rights policies or procedures	Not applicable	No training related to human rights
	Disclosure 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	22	
Local Communities			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	Markaz considers positive impact on local communities as a part of mandatory social responsibility, albeit on a voluntary basis, thereby finding its place in the concept of 'Socioeconomic Compliance' for us
Management Approach	Disclosure 103-2: The management approach and its components	3-5	
	Disclosure 103-3: Evaluation of the management approach	3-5	
GRI 413: Local Communities	Disclosure 413-1: Operations with local community engagement, impact assessments, and development programs	11, 16-19, 24	
	Disclosure 413-2: Operations with significant actual and potential negative impacts on local communities	Not applicable	Non-of the operations had negative impact on the local community
Public Policy			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	
Management Approach	Disclosure 103-2: The management approach and its components	22-23	
	Disclosure 103-3: Evaluation of the management approach	22-23	
GRI 415: Public Policy 2017	Disclosure 415-1: Political contributions	Not applicable	No Political Contributions
Marketing and Labeling			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary	25	
Management Approach	Disclosure 103-2: The management approach and its components	22	
	Disclosure 103-3: Evaluation of the management approach	22	
GRI 417: Marketing and Labeling	Disclosure 417-1: Requirements for product and service information and labeling	22	
	Disclosure 417-2: Incidents of non-compliance concerning product and service information and labeling	Not applicable	No such incidents of non-compliance reported
	Disclosure 417-3: Incidents of non-compliance concerning marketing communications	Not applicable	No such incidents of non-compliance reported

Customer Privacy			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary		25
Management Approach	Disclosure 103-2: The management approach and its components		21
	Disclosure 103-3: Evaluation of the management approach		21
GRI 418: Customer Privacy	Disclosure 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data		21
Socioeconomic Compliance			
GRI 103:	Disclosure 103-1: Explanation of the material topic and its Boundary		25
Management Approach	Disclosure 103-2: The management approach and its components		22
	Disclosure 103-3: Evaluation of the management approach		22
GRI 419: Socioeconomic Compliance	Disclosure 419-1: Non-compliance with laws and regulations in the social and economic area	Not applicable	No such incidents of non-compliance reported