



GOVERNANCE REPORT

For The Year Ended 31 December,

2022

الصفاة
AL SAFAT.

شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY K.S.C.

www.alsafatinvest.com

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Corporate Governance Report of Al Safat Investment Co. for the Year Ended 31 December 2022

Overview of Governance Principles

Al Safat Investment Co. strongly believes that an efficient corporate governance framework is a crucial factor to achieve business success. A robust corporate governance framework helps in building trust in the Company and it enables the enactment of comprehensive and sustainable changes that align with its values. Therefore, The company and its Executive Management's primary objective is to establish a practical governance framework that considers the interests of all stakeholders, investors, and related requirements as defined by the regulatory authorities, while complying with the environmental, social, health, and economic goals. In addition, Al Safat Investment Co. strongly relies on its effective risk management capabilities to achieve governance goals, and seize new opportunities and complying with the requirements of the regulatory authorities in Kuwait.

Al Safat Investment Co. believes that its sustained success is contingent on sound and effective governance as well as visionary leadership that enhances the governance principles.

Rule One

Building a Balanced Structure of the Board of Directors

The diversification in the structure of the Board of Directors is the key success factor in today's rapidly evolving business environment. Therefore, Al Safat Investment Co. Board of Directors is comprised of experienced and skilled individuals, resulting in a balanced and positive Board of Directors structure, enabling them to effectively fulfill their roles and responsibilities while taking in consideration the evolving business environment. Al Safat Investment Co. Board of Directors plays a crucial role in balancing the achievement of the company's strategic goals with those of its shareholders. The Board of Directors is committed to adhering to strong governance standards by diligently ensuring the implementation of the best practices, policies, procedures, and mechanisms that define the roles and responsibilities of the Board of Directors and the Executive Management whilst placing the interest of its shareholders, stakeholders, clients, administration, employees, and society at the forefront. Al Safat Investment Co. Board of Directors is comprised of seven members elected during the company's Annual General Assembly every three years. The Board of Directors structure is formulated to align with the company's size and activities. All members are non-executive with three independent members, bringing with them a wealth of diverse expertise and specialized skills which enable the Board of Directors to make sound and effective decisions. Members of Board of Directors have the required academic qualifications, experiences, and skills that are tailored to meet the company's operational needs, as outlined in the following table:

Director	Capacity	Qualifications and experience	Date of election/ appointing secretary
Abdullah Hamad Al-Terkait	Chairman/ Non-Executive	- MBA Degree from the UK - Bachelor's degree in Public Administration and Political Science. - 17 year-experience	30 March 2022
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	- Master of Business Administration. - Bachelor's degree in finance. - 27 year- experience.	30 March 2022
Abdul Muhsen Sulaiman Al Meshan	Member/ Non-Executive	- Bachelor's degree in International Finance and Marketing. - 43 year-experience.	30 March 2022
Nasser Bader Al Sharhan	Member/ Non-Executive	-Bachelor's degree in political science and Marketing. - 25 year-experience	30 March 2022
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with a specialization in General and Strategic Management. - Bachelor's degree in Accounting. - 17.5 year- experience.	30 March 2022
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., Masters, and Bachelor's degree in Civil Engineering. - Bachelor's degree in Architecture. - 45 year- experience.	30 March 2022
Abdul Razzaq Zaid Al Dhubayan	Member/ Non-Executive	- Bachelor's degree in Civil Engineering. - 18.5 year-experience	30 March 2022
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. 25 year experience	23 February 2014

Members of the Board of Directors dedicate sufficient time to review all tasks & responsibilities assigned to them; whereby the Board of Directors conduct meetings at the invitation of the Chairman.

The Board of Directors held (11) meetings in 2022, as shown in the following table:

Summary of the Board's Meetings:

Member Name	Abdullah Hamad Al Terkait	Fahed Abdulrahman Al Mukhaizim	Abdulmohsen Sulaiman Al Meshan	Nasser Bader Al Sharhan	Mishal Ahmad Al Jareki	Dr. Anwar Ali Al Naqi	Abdulrazzak Zaid Al Dhubayan
No. (1) 22/02/2022	√	√	√	√	√	√	√
No. (2) 31/03/2022	√	√	√	√	√	√	√
No. (3) 27/04/2022	√	√	√	√	√	√	√
No. (4) 12/05/2022	√	√	√	√	√	√	√
No. (5) 01/06/2022	√	√	√	√	√	√	√
No. (6) 08/08/2022	√	√	√	√	√	√	√
No. (7) 20/09/2022	√	√	√	√	√	√	√
No. (8) 10/10/2022	√	√	√	√	√	√	√
No. (9) 09/11/2022	√	√	√	√	√	√	√
No. (10) 29/11/2022	√	√	√	√	√	√	√
No. (11) 27/12/2022	√	√	√	√	√	√	√

Three resolutions were signed in 2022 by passing.

The manner of applying the requirements of registration, coordination, and keeping minutes of Board meetings

The Board Secretary manages and coordinates various Board activities in accordance with governance rules. The Board Secretary is appointed or dismissed by a decision of the Board. Under supervision by Chairman of the Board, the Secretary ensures compliance in procedures approved by the Board in relation to exchange of information between Board members, associated Committees, and the Executive Management, as well as setting Board meeting schedules, sending invitations at least 3 working days prior to the meetings, excluding emergency meetings. Moreover, the Secretary is tasked with transcribing the minutes of Board meetings as well as attendance of members, and ensuring that information is delivered and distributed properly, and coordinating between Board members and stakeholders including shareholders, various company departments, and concerned employees.

Attached is the declaration of the independent member that he/she possesses the independence provisions as per Articles (2-3) of Volume Fifteen (Company Governance).

Rule Two

Defining roles and responsibilities

An overview on the company's methodology on setting the policy, roles, and responsibilities of each member of the Board of Directors, the Executive Management, as well as the authorities and terms of reference delegated to the Executive Management:

Al Safat Investment Co. Board of Directors is responsible for overseeing the company's overall performance and shaping the company's strategic direction by setting its goals, approving the overall strategy of the company, and monitoring it periodically. Additionally, The Board of Directors , sets the organizational and administrative structure, and control systems of the company. The Board of Directors monitors the performance of the Executive Management and its implementation of the approved strategy. It also detects any conflict of interest that may arise and prevents any potential misuse of influence by related parties. The Board of Directors approves consolidated financial statements which reflect the true financial position of the company in accordance with the IFRS, as well as the responsibility for defining the internal control framework as deemed necessary in order to prepare the consolidated financial statements.

Al Safat Investment Co. has defined in detail the tasks, responsibilities, and duties of the Board of Directors and the Executive Management, as well as the authorities and terms of reference delegated to the Executive Management in accordance with the policies and procedures approved by the Board of Directors

Following are the main roles and responsibilities of the Board:

1. Approval of the company goals, strategies, plans, and policies of the company.
2. Approval of the annual interim budgets, the quarterly, and the annual financial statements.
3. Supervising the company's main capital spending and its ownership of assets and investments.
4. Ensuring the company departments compliance to policies and procedures that guarantee the Company's compliance to the applicable internal regulations.
5. Ensuring the accuracy and correctness of the data required for disclosure in accordance with the applicable policies and regulations of disclosure and transparency.
6. Establishing effective communication channels to provide shareholders with access to periodic and continuous information about the activities of the company and any relevant major developments.
7. Structuring the corporate governance system, supervising it, following up, and rectifying it if necessary.
8. Monitoring the performance of the Board, committees, and Executive Management by measuring their performance through main key performance indicators.
9. Preparing the annual report to be presented to the Annual General Assembly and formation of specialized committees in accordance with regulatory authorities' requirements and defining responsibilities, rights, and obligations.
10. Defining the powers of the Executive Management and the decision-making process.
11. Following up the performance of the Executive Management members and ensuring their completion of all tasks assigned to them.

12. Defining the policy of regulating the relationship with stakeholders in order to protect their interest.
13. Preparing a mechanism for regulating the transactions with the related parties in order to avoid conflict of interest.
14. Ensuring the solidity of the financial and accountancy systems and approval of the key risk indicators and their measurements, and being prepared to take on the arising risks within the Company.

Main tasks and responsibilities of the Executive Management:

15. Working towards carrying out all the company policies and internal regulations as approved by the Board of Directors.
16. Preparing periodic reports on the progress of the company's activities in light of its strategic plans and goals, and submitting these reports to the Board of Directors.
17. Establishing an integrated accounting system for keeping books, records, and accounts that reflects in accurate detail the financial statements and income accounts in order to maintain the company assets and prepare financial lists in accordance with the international accounting standards approved by the Capital Markets Authority.
18. Optimizing the management of the company daily operations, activities, and the company's revenues, as well as seeking to increase profits and reduce expenditure on the basis of the company goals and strategy.
19. Participating actively in establishing culture of ethics in the company.
20. Setting systems of internal oversight and risk management, ensuring their efficiency, comprehensiveness, adequacy, and compliance to risk avoidance as approved by Board of Directors.

Achievements of the Board of Directors in 2022:

In line with the Boards' responsibilities in achieving the best financial and operational results and the completion of the company's strategic plan in the best manner, the Board made in 2022 several achievements, such as:

1. Approval of the audited and consolidated annual financial statements for the year ended 2021.
2. Approval of the Company policies and procedures based on the amendments issued by the Capital Markets Authority, including the following:
 - Anti - money laundering and terrorism financing policies and procedures.
 - Sharia supervision policies and procedures.
 - Directory of conflict of interest policies and procedures.
 - Directory of supervision and internal control programs systems.
 - Data leaks prevention policies and procedures.
 - Policies and procedure of the Marketing and Public Relations Department.
 - Policies and procedures of asset management.
 - Policies and procedures of risk management.

- Policies and procedures of collective investment system.
 - Policies and procedures of conformity and compliance.
 - Policies and procedures of the Human Resources Department.
 - Policies and procedures of organizing transactions with related parties.
 - Policies and procedures of protecting whistle-blowers about illegal practices.
 - Policies and procedures of protecting shareholders equity.
 - Policies and procedures of the emergency plan and continuity of business.
 - Policies and procedures of client complaints.
 - Policies and procedures of Market Maker activity.
 - Policies and procedures of investment advisor activity.
 - Policies and procedures of the custodian activity.
 - Policies and procedures of subscription agent.
 - Charter of audit committee.
 - Charter of professional and ethical values.
3. Approval of the recommendation of the remunerations and nominations committee.
 4. Approval of the formation of the Board of Directors and its committees.
 5. Reappointing the company external accounts supervisor Mr. Bader Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young).
 6. Reappointing the external Sharia auditor (Osol for Sharia Consulting).
 7. Approval of the distribution of 5% bonus shares to shareholders.
 8. Approval of the agenda of the ordinary General Assembly for 2021.
 9. Approval of the agenda of the Extraordinary General Assembly.
 10. Approval of the anti-money laundering and anti-terrorism report prepared by the Compliance and compliance Department for 2021.
 11. Approval of the merger (by amalgamation) proposal between Al Safat Investment Co. and Capcorp investment Co. with Al Safat Investment Co. being the merging company and Capcorp Investment Co. being the merged company.
 12. Approval of the asset evaluator report and the investment advisor report related to the merger.
 13. Approval of adding the activity of Market Maker to the company activities.
 14. Approval of the semi-annual risk report for the periods 01/07/2021-31/12/2021, and 01/01/2022-30/06/2022.
 15. Approved the draft condensed consolidated interim financial statements (unaudited) for the Q1, Q2 and Q3 of 2022.
 16. Assessment of Board members performance for 2022 and reviewing the assessment of members of committees emanating from the Board (Audit Committee, Risks Committee, Remunerations and Nominations Committee) in addition to assessing the CEO performance in 2022.
 17. Provision of a training course entitled 'Combating Money Laundering and Terrorism Financing'.

A brief on implementation of requirements for the Board formation of specialized independent committees, taking into account the mention of the following information about each committee:

The Board of Directors has formed sub-committees and approved their structure which define their roles and responsibilities in order to supervise the company's operations. Members of the committees have the required technical and professional experience and skills to carry out their roles to its best.

1. Audit Committee

Formation of the committee: 27 April 2022

Term of the committee: dependent on the term and mandate of the current Board of Directors.

Members of the committee:

Mr. Fahad Abdul Rahman Al Mukhaizim- Chairman

Mr. Naser Bader Al Sharhan- Vice Chairman

Mr. Mishal Ahmad Al-Jareki - Member

The number of meetings held during 2022: (9) meetings.

Responsibilities and achievements of the committee in 2022

- Reviewed the drafted annual audited and consolidated annual financial statements for the fiscal year 2021 and submitted a recommendation to the Board of Directors for approval and for taking the necessary measures to request holding an ordinary General Assembly meeting.
- Approved the proposal to reappoint the external auditor Mr. Bader Adel Abduljader, Al Aiban and Al-Osaimi (Ernst & Young).
- Submitted a recommendation to reappoint an external Sharia auditor (Osol for Sharia Consulting).
- Approved the internal audit plan for 2022
- Reviewed the internal Sharia audit reports for the fourth quarter of 2021, and the first, second, and third quarters of 2022 to ensure that the Sharia Audit Unit reviewed the compliance of the company's activities and operations with Sharia provisions.
- Evaluation of the performance of the Head of the Internal Audit Department of the company in addition to the consulting the Board of Directors that the company has contracted with (Ernst & Young, Al Aiban, Al Osaimi & Partners).
- Reviewed the draft condensed consolidated interim financial statements (unaudited) for Q1, Q2, and Q3 of 2022 and submitted a recommendation to the Board of Directors for approval.
- Reviewed the assessment report of the company's internal control systems for the year 2021 and mandated the Head of Internal Audit to follow up and address the observations in the report with the relevant departments.
- Reviewed the money laundering report issued by the Capital Markets Authority on 22/09/2022 and making recommendations to address the observations.

- Reviewed the field inspection of the company report issued by the Capital Markets Authority on 08/11/2022 and making recommendations to address the observations.
- Taking the appropriate decisions to address the observations of the Capital Markets Authority inspection team and preparing a plan to address the observations as fast as possible.
- Reviewed the internal audit reports that were carried out on all company departments and mandated the Internal Audit Head to follow up and address the observations along with the company's managers.
- Carried out annual appraisal of Committee members for 2022.

2. Risk Committee:

Formation of the committee: 27 April 2022

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Nasser Bader Al Sharhan - Chairman

Mr. Abdulrazzaq Zaid Al Dhubayan – Vice Chairman

Mr. Mishal Ahmad Al Jareki – Member

The number of meetings held during 2022: (7) meetings.

Responsibilities and achievements of the committee in 2022:

- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period July 2021 - December 2021 and recommended that the report be presented to the Board of Directors and mandated the Risk Management Representative to follow up and address the observations in coordination with the relevant departments of the company and the top management.
- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period January 2022 - June 2022 and recommended that the reports shall be presented to the Board of Directors and mandated the Risk Management Representative to follow up and address the observations.
- Approval of the risk study relation to the merger by amalgamation project between Al Safat Investment Co. (the merging company) and Capcorp Investment Co. (the merged company).
- Submitting a recommendation to the Board of Directors to approve the merger project after receiving the asset evaluator report and the investment advisor report.
- Ensuring the risk management independence and neutrality of the management reports in order to avoid any risks the company might encounter.
- Reviewed the risk reports relating to transactions with related parties.
- Filled out the appraisal forms of the committee and its members during 2021 and submitted the results to the Board of Directors for approval.

3. Remunerations and Nominations Committee:

Formation of the committee: 27 April 2022

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Chairman

Mr. Dr. Anwar Ali Al Naqi - Vice Chairman

Mr. Abdulmohsen Sluaiman Al Meshan – Member

The number of meetings held during 2022: (3) meetings.

Responsibilities and achievements of the committee during 2022

- Discussed the annual allowances of the committees emanating from the Board of Directors and approved the allowances of members of the committees.
- Approved the recommendation to the Board of Directors to pay the CEO's remuneration for the year 2021 according to the annual appraisal set by the Board of Directors.
- Reviewed applications for Board of Directors membership and recommended accepting their candidacy.
- Approved paying bonuses to the company's employees for the year 2021 according to the annual appraisal scheme set by the Directors of Departments and the recommendation to the Board of Directors for approval.
- Prepared and sent the annual appraisal forms for the year 2022 to the Board of Directors and its committees, in addition to submitting the appraisal form of the CEO for 2022 to the Board of Directors.
- Ensured the independence validity of the independent Board of Directors members.
- Annual appraisal of the members of the Nominations and Remunerations Committee for 2022 and submitting it to the Board of Directors for approval.

4. Provisions Committee:

Formation of the committee: 27 April 2022

Term of the committee: dependent on the decision of the current Board of Directors

Members of the committee:

Mr. Abdul Razzaq Zaid Al Dhubayan -Chairman

Mr. Rabie Kakaati - Member and Rapporteur of committee

Mr. Herarld Leo Fernandes -Member

The number of meetings held during 2022: (3) meetings.

Responsibilities and achievements of the committee in 2021:

- Approved new provisions
- Affirmed additional provisions

A brief on how to implement the requirements that allow Board members to obtain information and data accurately and in a timely manner:

The company has an effective mechanism that allows members of Board of Directors in general and non-executive, and independent Board members in particular, to obtain all the basic data and information that enable them to carry out and implement their duties through coordination with the Secretary of the Board of Directors in accordance with relevant laws and legislations. Members are provided with the agenda and all related documents three working days prior to the date of the meeting to allow them appropriate time to study the topics and make the suitable decisions, with the exception of the Board of Directors meetings nos. (2) and (7) for 2022 when the Board members were provided with the agenda and the related documents two working days prior to the meeting instead of three days.

Rule Three

Selecting qualified persons for Board membership and Executive Management

A brief on implementation of requirements for formation of nominations and remunerations committee:

The nominations and remunerations committee assists the Board of Directors in performing supervisory responsibilities, including: effectiveness, integrity and compliance to the Company's nomination and remuneration policies and procedures, reviewing and approving selection criteria, appointment procedures for members of the Board of Directors and top management, and ensuring that the policy and methodology of nominations and remuneration as a whole is in line with the strategic objectives of the company. Also, the committee shall meet on regular basis, at least once a year, as needed.

The nomination mechanism in place within the company ensures the continuity of selecting and attracting competencies either to run for membership of the Board of Directors or of the Executive Management. The Board of Directors has formed a nomination and remuneration committee in accordance with the governance rules, with the committee having to include an independent member. The committee's work charter approved by the Board includes the following:

- Recommendation to accept the nomination and re-nomination of members of the Board and the Executive Management.
- Setting a clear policy for the remuneration of the members of Board of Directors and the Executive Management.
- Determine the skill requirements appropriate to the membership of Board and review these requirements annually.
- Attract applications for those wishing to occupy executive positions as needed, to study and review these requests.
- Define the different tiers of rewards that will be awarded to employees.
- Prepare job description for the Executive Board members, non-executive members, and independent members.
- Propose the nomination and re-nomination of members for elections by the General Assembly and ensuring that the independence status of independent members is not eliminated.

- Defining the mechanisms of evaluating the performance of the Board and the performance of each member and the Executive Management.
- Define the indicators for measuring the performance of the Board and review these indicators annually.
- Review and suggest training programs and workshops for members of the Board of Directors.
- Reviewing the payroll and job grades periodically.
- Prepare a detailed annual report on all bonuses granted to members of Board of Directors and the Executive Management, whether they are amounts, benefits, or advantages, whatever their nature and name, provided that this report is presented to the company's General Assembly for approval.

The report of remunerations granted to members of Board of Directors and Executive Management:

First: Board of Directors Remuneration Policy

Al-Safat Investment Co. adopts a transparent policy relating to the remuneration of Board members whether for charging their duties or attendance of Board meetings or meetings of its committees. The company complies with the corporate law terms relating to the Board members' remunerations, Capital Markets Authority directives, company policies, and its articles of association.

During 2022 members of the Board of Al-Safat Investment Co. received remuneration and benefits for their attendance and efforts during the six (6) Board of Directors meetings in 2021.

The Board submitted a recommendation to shareholders to remunerate members of the committees. On March 31, 2022 during the meeting of the Ordinary General Assembly, shareholders approved the committees' members' remunerations.

The remunerations granted to members of Board of Directors

Remunerations and benefits of Board members							
Remunerations and benefits through subsidiaries				Remunerations and benefits through the Mother Company			
Variable remunerations and benefits (KD)		Fixed remunerations and benefits (KD)		Variable remunerations and benefits (KD)		Fixed remunerations and benefits (KD)	Total number of members
Committees' remuneration	Annual remuneration	Total monthly salaries	Health insurance	Committees' remuneration	Annual remuneration	Health insurance	
-	-	36,000	1,770	-	80,000 KD	-	7

The Board of Directors has suggested to not grant yearly remunerations and benefits for the year 2022 to the Board of Directors, therefore, this recommendation will be presented to obtain approvals during the Annual General Assembly.

Second: Remuneration policy for the Executive Management

Remunerations of the Executive Management

Al-Safat Investment Co. grants remunerations and incentives to its executive management and employees as per the employees' annual appraisals and that follows specific technical and professional criteria. Inquisitives are granted in amounts commensurate with the employee's performance to encourage and elevate the employees performance. The appraisal of the employee's performance involves setting clear Key Performance Indicators (KPIs) and timely measurable goals pertaining to the employee's role and responsibilities. The Human Recourses Department is responsible for overseeing appraisal process and ensure its effective results.

The Company's remunerations principles are based on the following:

1. Attract and retain talented, skilful, and highly knowledgeable professionals.
2. Balancing the employees' remunerations with the Company profitability during the year.
3. Applying incentive schemes that encourages employees to deliver a continuously growing quality performance at all times.

The Remuneration and Nomination Committee in coordination with the Executive Management in formulated a policy pertaining to Executive Management in order to match their remuneration with market standards to preserve talent and to create value for its shareholders. The Board of Directors' approval shall be obtained based on the Committees' recommendation.

The Remunerations and Nominations Committee lays out the remuneration segments for the Executive Management employees through evaluating the performance of the Company employees in various departments, making use of analytical tools, quantitative and qualitative processes, and comparative studies in the process of deciding remunerations and benefits. In addition, the Company has a system of monitoring and evaluating the performance of the Executive Management and the employees. Moreover, the Company has a fair and transparent system for measuring responsibilities and performance which is used in rewarding the employees for their achievements throughout the year.

The members of the Board of Directors and the Executive Management have not been granted any other remuneration, either directly or indirectly, by Al-Safat Investment Company and its subsidiaries. During 2022, there were no significant material deviations from the remuneration policy approved by the Board of Directors.

Remunerations and benefits of five senior executive managers with the highest remunerations, plus the Executive president and the financial manager or those acting for them if not included among the latter														
Remunerations and benefits through the subsidiaries							Remunerations and benefits through the mother company							
Variable remunerations and benefits (KD)	Fixed remunerations and benefits (KD)						Variable remunerations and benefits (KD)	Fixed remunerations and benefits (KD)						Total executive post
Annual remunerations	Children education allowance	Transportations allowance	Housing allowance	Annual Air tickets	Health insurance	Total monthly salaries during the year	Annual remunerations	Children education allowance	Transportations allowance	Housing allowance	Annual Air tickets	Health insurance	Monthly Salaries (Total of the year)	
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Rule Four

Ensuring the integrity of financial reports

Board of Directors and the Executive Management declarations of the soundness and integrity of the prepared financial reports.

The company's annual report includes written declarations to both the Board of Directors and Executive Management of the soundness and integrity of the prepared financial reports.

A brief on implementation of the requirements for the formation of the Audit Committee:

The primary role of the Audit Committee is to supervise all audit matters and ensure the soundness and integrity of financial reports and internal control systems. The Audit Committee performs the following tasks, for example and not limited to:

- Review all periodic and annual financial statements prior to submitting and recommending them to the Board of Directors.
- Recommend to Board of Directors the appointment or reappointment of external auditors.
- Study and review the notes on the financial statements and request the Executive Management to work to amend them, if necessary.
- Recommend to Board of Directors appointing the director of internal audit, reviewing and approving the internal audit plans.
- Review the results of the internal reports and ensure that all necessary corrective actions are taken.
- Review the results of the inspection of the regulatory authorities on the company and taking the necessary measures to rectify the observations.
- Review matters related to the nomination of the external auditor and recommend that to the Board of Directors.
- Recommend assigning an independent audit office to evaluate and review internal control systems and prepare a report in this regard (Internal Control Report).

During 2022, there was no inconsistency between the recommendations of the Audit Committee and the decisions of the Board of Directors.

Independence & Impartiality of the External Auditor

The appointment of the auditor should be based on the Annual General Assembly approval following Board of Directors recommendation after the Audit Committee ensuring that the auditor is listed in the CMA's auditors register, fulfilling all the required provisions stated in the CMA's resolution concerning the auditors register system.

On 31/03/2022, during the Annual General Assembly, shareholders approved the re-appointment of the company's external auditor, Mr. Bader Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young) for the year 2022.

The external auditor carries out an independent annual audit and a quarterly review with the aim of confirming that the financial statements are prepared in accordance with IFRS standards as approved by the regulatory authorities in the State of Kuwait.

Rule Five

Establish Appropriate Systems for Risk Management & Internal Control

Requirements for the formation of an independent Risk Management:

The Company has set up risk management regulations and effective measures in order to define, evaluate, device, and manage major risks facing the company. Risk Management is the joint responsibility of the Company's administration and employees. Risk Management Department is in charge of ensuring that employees are aware of the importance of risk management and carrying out their tasks accordingly. The Head of Risk Management measures, monitors, and limits various potential risks facing the Company.

Requirements for the formation of a Risk Management Committee:

The Risk Committee is an independent unit, dedicated to managing risk. Its primary role is to set policies and regulations that align with the company's risk appetite. The committee's term is three years unless Board of Directors decides otherwise. The committee is comprised of three non-executive members including the Chairman of the committee. The Chairman of Board of Directors may not be a member. The Risk Committee performs the roles and responsibilities as stipulated in the corporate governance, which entails holding at least four meetings during with transcribed minutes of meetings.

The Risk Committee identifies, measures, and monitors risks the company is exposed to in collaboration with the Executive Management and the company's Risk Manager. The committee provides the Board of Directors with recommendations on current and futuristic risk strategy and policy, and supervises the company's strategy as approved by the Board of Directors. The Risk Committee also reviews the company's Risk Management policies and procedures in accordance with the submitted reports by the Risk Management manager prior to obtaining approvals by the Board. In addition, the committee develops the policies and procedures of managing various types of risks.

It is also responsible for identifying, measuring, monitoring, and supervising the system of risks the company is exposed to and preparing periodical reports. The committee also follows up the results of the assessment reports and monitors the company's risk exposure.

The Risk Committee is responsible for ensuring that the company's strategy and operations are in line with the Board of Directors approved risk appetite. It supervises the preparation of risk policies, procedures, and methodologies in a manner that is consistent with the risk appetite and supervises the development and implementation of effective risk management structure and systems. Additionally, the Risk Committee ensures the provision of an adequate level of risk control and regulations pertaining to the company's operations.

Internal Control System:

The company is keen on establishing an internal control system to cover all the company's activities in order to maintain the company's overall financial soundness, accuracy of its data, and its operations efficiency. The principles of internal control of the dual control process in the organizational structure of the company have been taken into account through:

- Establishing appropriate authorities and responsibilities.
- Segregation of roles with no conflict of interest through the continuous updating of the organizational structure of the company.

- Dual inspection and control (Internal Audit Department and Audit Committee).
- Dual signature (all checks and contracts are signed or certified by more than one person according to the table of powers approved by the Board of Directors.)
- Appointing an external auditor to audit internal control systems and preparing an annual report to be submitted to CMA within a maximum of 90 days from the end date of the financial year.

The company recognizes the significance of adherence to rules and regulations and has established a Compliance Department staffed with highly skilled and knowledgeable professionals. This department serves as a critical internal control and regulatory mechanism within the company, working in collaboration with the Audit Management and Risk Management to ensure thorough inspection procedures and dual control. The Board of Directors takes an active role in ensuring the continuous effectiveness of these management units.

Requirements of formation of an Independent Internal Audit Department:

The Internal Audit Department is responsible for establishing audit policies and procedures to support the company's governance system. This includes conducting ongoing assessments of the Executive Management's performance in implementing internal audit systems, methods, and procedures. This evaluation helps identify areas for improvement and provides recommendations to enhance the effectiveness and efficiency of the internal system. The Audit Committee oversees the Internal Audit Department and assigns it tasks and responsibilities on behalf of the Board of Directors. As a result, the Internal Audit Department enjoys full technical autonomy and reports directly to the Board Audit Committee.

One of the most important responsibilities of the Internal Audit department at Al-Safat Investment Company is to provide the Board of Directors and Executive Management with an independent and objective opinion on the availability of regulatory controls, and adequate and appropriate guarantees to support the company's activities, improve the effectiveness of controls, risk management, and governance processes.

The Internal Audit Department's autonomy is essential for the effective execution of their audit duties. As such, the department reports its findings to the Board Audit Committee and obtains their approval for various matters, such as the department's organizational structure, audit charter and policy, risk assessment methodology, audit plans, and assessments of achievements and job performance. The committee meets independently with the Director of Internal Auditing on a quarterly basis. However, in 2022, the meeting with the Internal Audit Officer was held three times only on account of his tendering his resignation on 31/05/2022 with no replacement appointed until the end of the year.

Rule Six

Promoting Professional Behavior and Ethical Values:

Standards and determinants of Code of Ethics and Business Conduct:

The Code of Ethics and Business Conduct serves as a set of guidelines that outline the expected standards of behavior for all employees of the company. These guidelines are applicable in all workplace transactions, and employees are required to adhere to them at all times. If any concerns or doubts about non-compliance with the code of ethics arise, the company seeks to motivate and create a culture of immediate reporting to the competent unit through several channels, including

direct manager, human resources, legal affairs, and compliance manager. Moreover, the company ensures that no individual who reports concerns or doubts regarding legal or statutory violations faces any accountability measures or legal consequences.

Policies and Mechanisms for Limiting Conflicts of Interest:

The company has implemented procedures and mechanisms to mitigate conflicts of interest and the use of insider information. Members of the Board of Directors are committed to safeguarding shareholders' interests and avoiding any conflicts of interest that may arise from their personal interests, while fulfilling their assigned duties. These mechanisms are also part of the company's commitment to integrity in dealing with related parties and to prevent the misuse of company assets and resources for personal gain. These policies cover a range of areas, including the handling of related party transactions, confidentiality and information security, and reporting of any illegal practices.

Rule Seven:

Timely and Accurate Disclosure and Transparency

Accurate and transparent presentation and disclosure mechanisms that define the aspects, areas, and characteristics of disclosure:

Al Safat Investment Co. is committed to providing transparent and timely disclosure of all transactions and assets related to both the company and its clients' investment portfolios.. It also discloses all the quarterly and annual financial statements upon their completion and without delay, in order to provide shareholders with confidence and transparency in the company's operations. The company is keen that all its disclosures are consistent with the standards imposed by CMA in this regard.

Requirements of Disclosure Record for Board Members and Executive Management:

- The Board of Directors has implemented transparent and accurate mechanisms for presentation and disclosure, in line with corporate governance rules. Board of Directors implements transparent and timely presentation and disclosure mechanisms in accordance with corporate governance rules.
- A record of disclosures is maintained for Board members and Executive Management.
- An independent Investor Affairs Unit reports directly to the Board of Directors, providing necessary data, information, and reports to potential investors in a timely and accurate manner through appropriate channels of disclosures, including the company's website.
- IT infrastructure is relied upon heavily for disclosures, with a corporate governance section prominently displayed on the company's website.

Requirements for the Formation of Investor Affairs Unit:

On 30 August 2020, the Board appointed Mrs. Sara Al Mukaimi as the Investor Affairs and Social Responsibility Officer. This appointment was made to further the Board's efforts towards compliance with corporate governance rules by establishing the investor relations unit and ensuring its effective implementation.. Al Safat Investment Co. also prepared policies and procedures to regulate the process of dealing with investors and provide the necessary data, information, and reports to shareholders and investors through the appropriate disclosure channels.

Developing the basic structure of Information Technology

Al-Safat Investment Co. is keen to update its website to include all data and information integral to

the disclosure of information that is of interest to shareholders and investors, and to add all necessary data in accordance with governance rules. During this year, the company has also updated and developed its website to include the latest data and information that is of concern to prospective shareholders and investors.

Rule Eight

Respecting shareholders rights:

Requirements for defining and protecting the general rights of shareholders:

Al-Safat Investment Co. follows rules and regulations to ensure fairness, equality, and transparency for all shareholders, thus, the Board of Directors formulated a policy for shareholders that would enable them to exercise their rights in a conscious manner. This policy aims to ensure that all information regarding the company is presented fairly, regularly, and in a straightforward manner. This includes information about the company's financial performance, strategic goals and plans, corporate governance, and risk profile..

Establishing private record to be kept with the clearing agency:

The agreement concluded between Al Safat Investment Co. and the Kuwait Clearing Company stipulates that the latter shall keep a record of the shareholders of Al-Safat Investment Company and update it accordingly to the completed transactions. The company also maintains an e-register for the shareholders that include any changes to the completed transactions with any concerned party being entitled to view that record.

Encouraging shareholders to participate and vote in the meetings of the company's assemblies:

Al-Safat Investment Company encourages its shareholders to participate actively in the General Assembly meetings, providing them with invitations, agendas, necessary attachments, meeting times and locations, and information on exercising their voting rights without any obstacles. Some of the shareholder rights include, but are not limited to, the following:

- Right to receive their share of dividend distribution.
- Right to receive their share of Company's assets, in case of liquidation in accordance with the Companies Law.
- Right to receive information and data related to the Company's activities and its strategies on a regular basis.
- Right to participate in the General Assembly meetings of shareholders and vote on decisions in accordance with laws and regulations.
- Right to elect members to the Board of Directors.
- Right to monitor the Company's performance in general, and that of the Board of Directors in particular.
- Right to hold the Board of Directors and the Executive Management of the Company accountable in accordance with the Companies Law.
- Right to record the value of shares owned.
- Right to register and transfer the ownership of shares.
- Right to review the shareholders' register.

Rule Nine:

Identifying Stakeholders' role, regulations, and policies of ensuring protection and recognition of stakeholders' rights

Al Safat Investment Co. has a stakeholders' protection policy that ensures compliance with relevant laws in Kuwait, including labor law, companies' law, and executive bylaws, as well as contracts signed between parties. The policy is designed to protect and respect the rights of all stakeholders. Additionally, the stakeholders' protection policy ensures that no party gains an unfair advantage through the company's normal business deals and contracts, limiting potential conflicts of interest. The policy also outlines the company's obligations towards stakeholders in accordance with applicable laws and contracts signed between both parties, including labor law, companies' law, and executive bylaws. The company also took the initiative of protecting all stakeholders' rights while maintaining stability and career sustainability through its sound financial performance. The stakeholders-like parties in the company have been identified in the policy where guidelines for protecting these rights have been set.

Encouraging stakeholders to take part and follow up the various activities of the company

To prevent conflict of interest between stakeholders and shareholders, Al Safat Investment Co. has established internal policies and bylaws that outline clear mechanisms for tendering contracts and deals. The company also maximizes the benefits of stakeholder contributions while ensuring that their activities align with the best interests of the company. Stakeholders have access to timely and regular business-related information and are encouraged to report any improper practices to the Board of Directors, with appropriate protection provided for the reporting parties.

Rule Ten

Fostering and Improving Performance

Mechanisms for providing members of Board of Directors and Executive Management with ongoing training programs and courses:

The continuous training of members of the Board of Directors and Executive Management are crucial pillars of the governance rules. This significantly improves the performance of the company.. This can be achieved by setting up training programs tailored to the business of the company and its strategy, in addition to the operational and financial part pertaining to all the activities of the company, the company's control, and its legal obligations.

Overall appraisal of the Board of Directors' performance and appraisal of every member of board of directors and Executive Management

Al Safat Investment Co. tailored policies and procedures approved by the Board of Directors to implement a formal process for reviewing the annual performance of the Board of Directors and Board committees, while measuring the efficiency of their performance and their contribution to the company affairs.

The objective of the appraisal process is to create a consistent, regular, and official methodology for assessing and evaluating the performance of the Board of Directors and subcommittees. This process helps in presenting the recommendations of the Board of Directors to the shareholders during the reelection of members.

Assessing the performance of the Executive Management is a critical tool for translating the

company's business plans into actionable procedures and cultivating a corporate culture that aligns with the company's strategic objectives.

During Q4 of 2022, the company conducted appraisals of the members of Board of Directors, the Board committees, and the CEO. The appraisal forms were prepared by the Remuneration and Nominations Committee in accordance with the corporate governance and internal policies that the Board of Directors approved.

Board of Directors' efforts in creating corporate ethics for employees

Al Safat Investment Co., represented by the Board of Directors and the Executive Management, is keen on stressing the importance of creating corporate ethics for all employees. This is achieved through the strategic goals of the company while improving the performance ratios and being in compliance with regulatory authorities' laws and the governance rules.

In accordance with this, the company issues a number of periodic reports (annual report, annual corporate governance report, and the audit committee report) that include all the information needed to assess the members of the Board of Directors, Executive Management, shareholders and stakeholders, and their ability to take sound and professional decisions.

Rule Eleven

Corporate Social Responsibility Report:

We, at Al-Safat Investment Co., are always looking at ways to develop a social responsibility concept to better serve the society around us. The idea of giving, reciprocating, contributing to improving the public image, caring for the environment, spreading understanding and awareness are all instruments implemented by our company to accomplish various achievements and activities related to social responsibility.

We believe that social awareness starts from within, therefore, our responsibility is not limited to donations, charitable work, and awareness messages. Our company follows a clear drive towards implementing an ethical work code in dealings between the management, employees, and amongst the employees themselves. We promote the principle that the most vital investment is in the employees and their psychological comfort by recognizing their rights, dignity, and mutual respect.

As for our society, we are keen on giving and returning the favor of the country hosting us and the surrounding society. The company's social responsibility is an integral part of the company's mission, which is reflected in the activities and events organized all the year round.

- 1. Education and spreading professional awareness:** Al Safat Investment Co. was a sponsor of the Fursan Al Sena'a, also known as, 'The Knights of Industry' program organized by the Kuwait Industries Union in cooperation with Loyac. The activity included a thoughtful plan to acquaint a group of intermediate and secondary school students with the available vocational opportunities after graduation through seminars, workshops, field visits, and training in different domains such as investment. We invited over 50 students in two stages for a full day to familiarize them with the nature of investment and its importance in developing the make-up of the country's economy and improving the individual's income. In addition, there were discussions of important secondary specializations in business including installation management, direct investment, an introduction to the stock exchange, and business entrepreneurship.

This activity is in line with our belief in the importance of education, learning, and spreading practical awareness amongst the promising youth which could benefit from this knowledge and experiences in their future career life.

2. **Spreading Health Awareness:** For years, and since the Covid-19 pandemic, we have been keen on being proactive in matters of health and social safety. We have also decided to play a role in spreading health awareness messages. We strive on every occasion to spread health culture, the preventative health measures in particular, as an efficient means to avoid disease, and not just treat it. In October we launched a breast cancer awareness campaign at Al Safat Tower and distributed educational pamphlets with important advice and guidelines to women, urging them to undergo early precautionary check-ups

During the month of November, which is dedicated to raising awareness about prostate cancer in men, Al Safat Investment Co. collaborated with Al Salam International Hospital to organize a medical checkup booth for employees and visitors at Al Safat Tower. The checkup included tests for hypertension, diabetes, fat mass, and weight, and educational pamphlets were distributed about both psychological and physical health, as well as how to prevent prostate cancer.

3. **Donations and Charity Work:** the importance of social responsibility stems from involving the largest number of people in charity work and donations. On that note, we have organized the "Winter Clothing" campaign with the participation of the company employees and workers in the Tower. The campaign was aimed at collecting the largest amount of clean secondhand clothes and donating them to the needy in Kuwait and around the world in cooperation with the Humanitarian Excellence Association.

The company has also organized its second blood donation campaign in cooperation with HIS Company, and under supervision of the Kuwait Central Blood Bank, to help Ministry of Health in filling the shortage in blood bags. Employees of both companies, some Tower visitors, and all those wishing to donate participated in the campaign.

Thanks and Gratitude:

In conclusion, I would like to extend the greatest thanks and gratitude to members of the Board of Directors for their support and trust. Their constructive cooperation and continuous understanding of our ambitions have brought our Company to this advanced level. I must also thank the Executive Management and all employees who contributed largely, through their dedication, enlightened ideas, and extensive culture, each in their field to the growth of the Company.

Thanks to the dedication of its leadership, supervision, and execution, Al-Safat Investment Co. is advancing towards a bright future of ongoing development of performance and results. Thanks are also due to the regulatory entities and investors for their continuous cooperation and constructive support.



Abdullah Hamad AlTerkait
Chairman