

ANNUAL REPORT

For The Year Ended 31 December, 2023

Corporate Governance Report for Al Safat Investment Company (ASIC)
For the Fiscal Year ending as of December 31, 2023

MERGED

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AL SAFAT.

شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

www.alsafatinvest.com

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

H. H. Sheikh
MESHAL AL-AHMAD AL-JABER AL-SABAH
Amir of the State of Kuwait







Corporate Governance Report for Al Safat Investment Company (ASIC) For the Fiscal Year ending as of December 31, 2023

ASIC's Viewpoint of Governance Principles:

ASIC firmly believes that putting in place an effective governance framework is pivotal for successful businesses, for being significant in reinforcing trust in ASIC, and giving an opportunity for making comprehensive and sustainable changes in line with ASIC Values. Therefore, one of the most important goals for ASIC and its Management is development of enforceable and unwavering governance framework, taking into consideration the rights of stakeholders and investors and the related requirements, set by the regulatory authorities, environmental, social and health obligations and economic goals. Additionally, ASIC relies on continuous achievement of primary goals in connection to governance, making full use of new opportunities and fulfilling the increasing demands of the ability to effectively manage risks, in order to remain compliant with regulatory authorities' requirements in State of Kuwait.

ASIC believes that success on the long-run is dependent on good corporate governance, in addition to effective management and prospective entrepreneurship that result in promotion of governance principles.

First Rule:

Building a Balanced Board Structure:

Diversification of the Board structure is the key success factor nowadays, in the mainstream of quick development in business environment. Therefore, ASIC Board has skilled and experienced members, leading to a balanced and positive structure, enabling the Board to conduct its businesses and responsibilities perfectly, taking into consideration the everchanging business requirements.

The role of ASIC Board of Directors is that point of balance that achieves ASIC strategic goals and, consequently, the investors' goals. It is responsible for complying with the good governance standards by empowering and applying the governance standards and rules, by enforcing the best practices and a package of policies, procedures and mechanisms and assigning the responsibilities and duties of ASIC Board and Executive Management. It considers protection of investors' rights, stakeholders' rights, customers, management, personnel and the community.

ASIC Board of Directors has seven members elected by the General Assembly for three-year tenure. The Board of Directors is formed in a balanced way, suitable for ASIC business volume and nature. The Board members are non-executive members, including three independent members, and have diverse experience and skills that contributes to promote decision-making efficiencies.

The present Board members have the qualifications, skills and experience proper for ASIC business according to the following table:

| Name | Member's Classification | Academic Qualification and Experience | Date of Election/ Secretary Nomination |
|---------------------------------|------------------------------|--|--|
| Abdullah Hamad Al-Terkait | Chairman, non-executive | <ul style="list-style-type: none"> - Holding MA degree in Business Administration, UK. - Holding Bachelor degree in General Administration and Political Sciences. - 18-year practical experience. | March 30, 2022 |
| Fahad Abdul Rahman Al-Mukhaizim | Vice Chairman, non-executive | <ul style="list-style-type: none"> - Holding MA degree in Business Administration. - Holding Bachelor degree in Finance. - 28-year practical experience. | March 30, 2022 |
| Abdul Muhsin Sulaiman Al-Meshan | Member – independent | <ul style="list-style-type: none"> - Holding Bachelor degree in International Finance and Marketing. - 44-year practical experience. | March 30, 2022 |
| Naser Bader Al-Sharhan | Member – non-executive | <ul style="list-style-type: none"> - Holding Bachelor degree in Political Sciences and Marketing. - 26-year practical experience. | March 30, 2022 |
| Mishaal Ahmed Al-Jareki | Member – independent | <ul style="list-style-type: none"> - Holding MA degree in Business Administration, Major of General and Strategic Administration. - Holding Bachelor degree in Accounting. - 18 -year practical experience. | March 30, 2022 |
| Dr. Anwar Ali Al-Naqi | Member – independent | <ul style="list-style-type: none"> - Holding PhD, MA and BSc. degrees in Civil Engineering. - Holding Bachelor degree in Architecture. - 46-year practical experience. | March 30, 2022 |
| Abdul Razzak Zaid Al-Dhubayan | Member – non-executive | <ul style="list-style-type: none"> - Holding Bachelor degree in Civil Engineering. - 19-year practical experience. | March 30, 2022 |
| Khawla Mohammed Awad Kandeel | Board Secretary | <ul style="list-style-type: none"> - Holding Technical Certificate in Business Administration. - 26-year practical experience. | March 30, 2022 |

The Board members devote adequate time for undertaking their assigned duties and responsibilities. The Board meets as called for by the Chairman.

Brief of ASIC Board's Meetings:

The Board meetings during 2023 are 8 meetings and 3 resolutions by circulation passed by the Board, as shown in the following table:

| Member Meeting Date | Abdullah Hamad Al-Terkait | Fahad Abdul Rahman Al-Mukhaizim | Abdul Muhsin Sulaiman Al-Meshan | Dr. Anwar Ali Al-Naqi | Naser Bader Al-Sharhan | Abdul Razzak Zaid Al-Dhubayan | Mishaal Ahmed Al-Jareki |
|---|---------------------------------|---------------------------------------|---------------------------------------|--------------------------|---------------------------|-------------------------------------|-------------------------------|
| Meeting (1), dated 06/02/2023 | √ | Apology | √ | √ | Apology | √ | √ |
| Resolution by Circulation (1), dated 23/02/2023 | √ | √ | √ | √ | √ | √ | √ |
| Meeting (2), dated 28/03/2023 | √ | √ | √ | √ | √ | √ | √ |
| Resolution by Circulation (2), dated 03/04/2023 | √ | √ | √ | √ | √ | √ | √ |
| Meeting (3), dated 10/05/2023 | √ | Apology | √ | √ | √ | √ | √ |
| Meeting (4), dated 21/06/2023 | √ | √ | √ | √ | √ | √ | √ |
| Meeting (5), dated 02/08/2023 | √ | √ | √ | √ | √ | √ | √ |
| Meeting (6), dated 13/08/2023 | √ | √ | √ | √ | √ | √ | √ |
| Resolution by Circulation (3), dated 28/08/2023 | √ | √ | √ | √ | √ | √ | √ |
| Meeting (7), dated 13/11/2023 | √ | Apology | √ | √ | √ | √ | √ |
| Meeting (8), dated 26/12/2023 | √ | √ | √ | √ | √ | Apology | √ |

Method of Applying the Requirements of Registering, Coordinating and Filing Minutes of ASIC Board's Meetings:

The Board Secretary manages and coordinates the Board's businesses, in line with governance rules. The Board Secretary is appointed or removed as resolved by the Board. Under the Chairman's supervision, the Board Secretary ensures compliance with the procedures approved by the Board, in connection to exchange of information between the Board members and committees and the Executive Management. Additionally, the Board Secretary develops the Board meetings agenda, sends the Board meetings invitations and provides the Board members with the agenda in at least three business days prior to the convention date, excluding emergency meetings. The Board Secretary writes down the minutes of meetings, records members' attendance during these meetings and ensures proper delivery and distribution of information and coordination between the Board members and other stakeholders of ASIC, including shareholders, different departments and concerned personnel.

Enclosed herewith Independent Member's declaration for satisfaction of independency conditions, as per the provisions of Clause (2-3), Book 15 (Corporate Governance).

Second Rule:

Perfect Assignment of Duties and Responsibilities:

In brief, how ASIC assigns the tasks, duties and responsibilities of each Board Member and the Executive Management, as well as the powers and authorities entrusted to the Executive Management:

- AISC Board of Directors supervises the general performance and determines AISC strategic attitude. It sets AISC goals and approves the general strategy, which is periodically revised, and develops AISC organizational and administrative chart and the regulatory systems. Moreover, the Board of Directors controls the performance of Executive Management and extent of implementation of the approved strategy. It monitors any conflict of interests and prevents any abuse of power by the related parties. In addition, the Board is responsible for adopting the consolidated financial statements, fairly representing AISC financial position as per the International Financial Reporting Standards (IFRSs). It is accountable for determining the framework of internal control as deemed necessary for preparing consolidated financial statements without any material mistakes.
- AISC has detailed the tasks, duties and responsibilities of each Board Member and the Executive Management, as well as the powers and authorities entrusted to the Executive Management, by the policies and regulations approved by the Board.

The significant duties and responsibilities assigned to AISC Board are as follows:

1. Approval of AISC key goals, strategies, plans and policies.
2. Adoption of annual balance sheets and the quarterly and annual financial statements.
3. Supervision of AISC primary capital expenditure and holdings of assets and investments.
4. Ensuring AISC departments' compliance with the policies and procedures guaranteeing AISC observance of applicable bylaws and regulations.
5. Ensuring the accuracy of data required for disclosure as per the applicable policies and systems of disclosure and transparency.
6. Establishing effective channels of communication for enabling shareholders' access to periodical and constant information on ASIC activities and any other related basic developments.
7. Structuring and generally supervising the corporate governance system, monitoring the extent of effectiveness and modifying it when necessary.
8. Following up the performance of every member of the Board, committees and Executive Management using the key performance indicators (KPIs).
9. Preparing annual report that shall be presented to General Assembly, forming the specialized committees as per the requirements of regulatory authorities and assigning the responsibilities, rights and obligations.
10. Assigning the powers granted to Executive Management and decision-making process.
11. Following up the performance of Executive Management members and ensuring performance of all assigned duties.
12. Developing a policy for regulating relations with related parties for protecting their rights.
13. Establishing a mechanism for regulating transactions with related parties for avoidance of conflict of interests.

14. Ensuring integrity of financial and accounting systems and approving KPIs and measurements, as well as ASIC risk appetite for managing such risks.

Significant Roles and Responsibilities of Executive Management:

1. Implementing all policies, regulations and bylaws of ASIC as approved by the Board of Directors.
2. Preparing periodical reports on the achieved progress of ASIC business in the light of its strategic plans and goals, and presenting these reports to the Board of Directors.
3. Developing an integrated accounting system for maintaining books, records and accounts that reflect, in details and accurately, the financial statements and income accounts, allowing maintenance of ASIC assets and preparation of financial statements as per the IFRSs approved by the Capital Markets Authority (CMA).
4. Managing ASIC day-to-day operations, activities and recourses perfectly, as well as maximizing profits and cutting expenses based on ASIC goals and strategies.
5. Participating effectively in setting and promoting ASIC ethical principles culture.
6. Developing internal control systems and risk management and ensuring its effectiveness, inclusiveness and adequacy, and observing the risk appetite approved by the Board of Directors.

Board's Achievements for 2023:

Based on the Board's responsibilities, represented in achieving the best financial and operational results and properly implementing ASIC strategic plan, the Board, during 2023, has achieved many achievements as follows:

1. The Board has discussed and approved the annual audited consolidated financial statements for the fiscal year as of 2022.
2. Recommending appointment of ASIC External Auditor, i.e. Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).
3. Recommending reappointment of the External Legal Auditor, Osool Legal Consulting and Auditing Company.
4. Reviewing the approval of Capital Markets Authority and Ministry of Commerce for the proposed merger, approval of capital increase and recommending the convention of Extraordinary General Assembly.
5. Approving the transfer of activity of Custodian resulting from the merger and reporting the recommendation to the Extraordinary General Assembly.
6. Executing the form of declaration by the Board and Executive Management, provided it shall be included in 2022 Annual Report.
7. Recommendation not to distribute dividends for the financial year ending 31/12/2023.
8. Perusal of the minutes of meeting of Nominations and Remunerations Committee and the following items were adopted:
 - Ensuring the independency of Independent Member and executing the declaration by the Independent Member.
 - The report of annual remunerations of the Board members and Executive Management, prepared by the Nominations and Remunerations Committee, was approved, and approving the

- recommendation on avoidance of remunerations for the members for the fiscal year ending as of 31/12/2022, and reporting the same to the following General Assembly.
- Approving the corporate governance report for the fiscal year ending as of 31/12/2022, which shall be presented to the following General Assembly.
 - Approving the annual report for the fiscal year ending as of 31/12/2022.
 - Approving the integrated report for the fiscal year ending as of 31/12/2022.
 - Approving the draft agenda of Ordinary and Extraordinary Assembly and authorizing the Chairman to do whatever necessary.
9. Approving the agenda of Ordinary General Assembly for 2023.
 10. Approving the agenda of Extraordinary General Assembly.
 11. Approving the report of AML/CFT by Compatibility and Compliance Department for 2022.
 12. Approving the annual report for Book 7 (Customers' Funds and Assets) prepared by the Independent Auditor for the fiscal year ending as of 31/12/2022.
 13. Approving the annual report for Book 16 prepared by the Independent Auditor for the fiscal year ending as of 31/12/2022.
 14. Approving the recommendation of Auditing Committee on reappointing RSM Office for conducting ASIC internal auditing for 2023.
 15. Approving addition of Market Maker business to ASIC businesses and recommending convention of Extraordinary General Assembly.
 16. Reviewing the Internal Control Review (ICR) of ASIC for 2022.
 17. Approving the biannual risk report for the period from July 1, 2022, to December 31, 2022, and the period from January 1, 2023, to June 30, 2023.
 18. Approving the draft condensed and consolidated interim financial statements (unaudited) for the Q1, Q2 and Q3, 2023.
 19. Adopting the ASIC updated organizational chart following the merger.
 20. Finalizing the formalities of merger and transferring the financial and human resources from the merger company to merging company.
 21. Authorizing the Executive Management to develop the draft strategy for the upcoming three years.
 22. Approving the recommendation of Nominations and Remunerations Committee for transferring and appointing the CEO of Cap Corp Investment Company as the CEO of Al Safat Investment Company.
 23. Perusing the remarks and penalties by the regulatory authorities and recommending the necessary handling as soon as possible and to avoid any future reoccurrences.
 24. Adopting the ASIC policies and procedures based on the updates issued by CMA.
 25. Evaluating the performance of Board members for 2022 and perusing the appraisal of Board committees' members (Auditing Committee, Risk Committee, Nominations and Remunerations Committee), in addition to appraisal of CEO for 2022.

26. Having a training course titled Anti-Money Laundry and Counter Financing of Terrorism (AML/CFT).

Brief of Applying the Requirements of Board's Formation of Specialized Independent Committees, taking into consideration disclosure of the following information for each committee:

In the mainstream of Board's performance of roles and duties, the Board has formed sub-committees and adopted the related charters that set their responsibilities and authorities, in order to reinforce supervision of ASIC transactions. Additionally, the committees' members have technical and practical experience and skills enabling them to perform the assigned duties property.

1. Audit Committee:

Date of Formation: April 27, 2022.

Committee Tenure: In connection to the tenure and jurisdiction of the present Board.

Committee Members:

Mr. Fahad Abdul Rahman Al-Mukhaizim, Chairman.

Mr. Naser Bader Al-Sharhan, Vice Chairman.

Mr. Mishaal Ahmed Al-Jareki, Member.

Number of Meetings Held during 2023: 8 Meetings.

Duties and Achievements of the Committee during 2023:

- Reviewing the draft annual audited and consolidated financial statements for the fiscal year 2022 and recommending thereof to the Board for adoption and taking the necessary actions for convening Ordinary General Assembly.
- Approving the proposal of appointing the External Auditor, Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).
- Recommending reappointment of External Legal Auditor, Osool Legal Consulting and Auditing Company.
- Perusing the updated policies and procedures and recommending to the Board for approval.
- Approval of Internal Auditing Plan for 2023.
- Reviewing the legal internal auditing reports for Q4 of 2022, and Q1, Q2 and Q3 of 2023, for ensuring the Legal Auditing Unit's review of ASIC businesses and transactions and extent of compatibility with the provisions of Islamic Sharia.
- Reviewing the Legal Internal Auditor's reports for Q4 of 2022, and Q1, Q2 and Q3 of 2023, discussing the related remarks and recommending prompt addressing.
- Reviewing the draft condensed consolidated interim financial statements (unaudited) for Q1, Q2 and Q3 of 2023 and recommending to the Board for approval.
- Reviewing the Internal Control Review (ICR) report of ASIC for 2022, and authorizing the relevant department for following up the remarks stated in the report with the related departments for addressing.
- Perusing the annual report of money laundry submitted via CMA e-portal and the money

laundry report prepared by the Auditor, and recommending to the Board for approval.

- Reviewing the remarks and penalties by the regulatory authorities and recommending the necessary handling as soon as possible to avoid any future reoccurrences.
- Making the proper decisions for addressing the remarks of CMA Inspection Team and developing a plan for addressing the remarks, in order to address them as soon as practicable.
- Reviewing the report of internal auditing for all ASIC departments and authorizing the relevant personnel for following up the remarks with ASIC directors in order to resolve the remarks stated therein.
- Approving appointment of Al-Nisf & Co Office (BDO) for conducting ASIC internal auditing for 2024.
- Recommending to the Board for approving the updated organizational chart.
- During the year, there was no conflict between the Committee's recommendations and Board's recommendations.
- Annual performance appraisal for the Committee members.

2. Risk Committee:

Date of Formation: April 27, 2022.

Committee Tenure: In connection to the tenure and jurisdiction of the present Board.

Committee Members:

Mr. Naser Bader Al-Sharhan, Chairman.

Mr. Abdul Razzak Zaid Al-Dhubayan, Vice Chairman.

Mr. Mishaal Ahmed Al-Jareki, Member.

Number of Meetings Held during 2023: 6 Meetings.

Duties and Achievements of the Committee during 2023:

- Approving the biannual risk report addressed to CMA for the period ending as of 31/12/2022 and the period ending as of 30/6/2023, and recommending presentation of the report to the Board and following up the remarks in order to address them.
- Reviewing the risk study in connection to addition of Custodian business, resulting from the merger and recommending to the Board.
- Reviewing risk study in connection to capital increase for the merger and recommending to the Board.
- Ensuring independency of Risk Management and objectivity of the reports issued by the department.
- Approving appointment of Arab House for conducting the businesses of Risk Management development for 2023.
- Perusing the risk reports in connection to transactions with related parties.
- Perusing the new organizational chart, ensuring independency of Risk Unit and recommending to the Board.

- Annual performance appraisal for the Committee businesses and members for 2023 and reporting the appraisal results to the Board.

3. Nominations and Remunerations Committee:

Date of Formation: April 27, 2022.

Committee Tenure: In connection to the tenure and jurisdiction of the present Board.

Committee Members:

Mr. Abdullah Hamad Al-Terkait, Chairman.

Mr. Dr. Anwar Ali Al-Naqi, Vice Chairman.

Mr. Abdul Muhsin Sulaiman Al-Meshan, Member.

Number of Meetings Held during 2023: 2 Meetings.

Duties and Achievements of the Committee during 2023:

- Discussing determination of allowances for the Board committees on annual basis and approving the allowances for committees' members.
- Approving the Board's recommendations on payment of remuneration to the CEO for 2022 as per the annual performance appraisal prepared by the Board.
- The report of annual remunerations for the Board members and Executive Management, for the fiscal year ending as of 31/12/2022, including the recommendation on not distributing any remunerations, was discussed and recommended to the Board.
- The Board was recommended for adoption of the updated organizational chart.
- Recommending transferring the registered positions resulting from the merger as per the ASIC approved organizational chart.
- Developing and sending the annual appraisal forms for 2022 for the Board and its committees, in addition to the form of performance appraisal of CEO for 2022, which was sent to the Board.
- Ensuring the independency of the Board independent members.
- Annual performance appraisal for the members of Nominations and Remunerations Committee for 2022 and reporting to the Board for approval.

4. Provisions Committee:

Date of Formation: April 27, 2022.

Committee Tenure: As resolved by the Board.

Committee Members:

Mr. Abdul Razzak Zaid Al-Dhubayan, Chairman.

Mr. Rabea Kakati, Member and Reporter.

Mr. Herald Leo Fernandez, Member.

Number of Meetings Held during 2023: 4 Meetings.

Duties and Achievements of the Committee during 2023:

- Approval of provisions.

Brief of method of applying the requirements, allowing the Board members' access to information and data, accurately and timely:

ASIC has an effective mechanism for allowing the Board members, in general, and the Board non-executive and independent members, in particular, to access the basic information and data, enabling them performing their duties, by coordination with the Board Secretary, in line with the applicable laws and legislations. In addition, the members are provided with the agenda and all related documents in three days prior to the convention date, for giving them the adequate time for studying the issues property to make the proper decisions.

Third Rule:

Nomination of Competent Persons for Board Membership and Executive Management:

Brief of Applying the Requirements of Forming Nominations and Remunerations Committee:

Nominations and Remunerations Committee helps ASIC Board of Directors perform its supervisory responsibilities in connection to the effectiveness, integrity and compliance with the policies and procedures of ASIC nominations and remunerations. It reviews the standards of selection and procedures of appointing the Board members and Senior Management and approval thereof, as well as ensuring that the policy and methodology of nominations and remunerations, in its entirety, are in line with ASIC strategic goals. The committee holds regular meetings, at least once per annum and as necessary.

ASIC applicable policy of nomination ensures continuous selection and attraction of competencies for joining, either for nomination for the membership of the Board or Executive Management. The Board has formed the Nominations and Remunerations Committee as per the governance rules. The committee includes one independent member. The Board has adopted the Committee's Charter approved by the Board, including the following:

- Recommending acceptance of nomination and renomination for the Board members and Executive Management.
- Developing a clear policy for the remunerations of the Board members and Executive Management.
- Determining the required suitable skills of the Board members and reviewing them annually.
- Attracting the applications of executive jobseekers as required and studying and reviewing such applications.
- Determining various categories of remunerations paid to the employees.
- Developing job description for the executive, non-executive and independent Board members.
- Proposing nomination and renomination of members for elections by the General Assembly and ensuring the independency of independent members.
- Setting the mechanisms of Board's performance appraisal, as well as the performance of each Board member and the Executive Management as per the objective performance appraisal indicators.

- Reviewing the proposing the training courses and workshops for the Board members and Executive Management.
- Reviewing the payrolls and scales periodically.
- Preparing a detailed annual report for all remunerations paid to the Board members and Executive Management, whether in cash, benefits or privileges, of whatever nature and designation, provided the report shall be presented to the General Assembly for approval.

Report of Remunerations Paid to Board Members and Executive Management:

I) Remunerations Policy for Board Members:

ASIC follows a transparent process in connection to the policy of remunerations of Board members, based on performance of their roles and attending the meetings of the Board or its committees. ASIC observes the provisions of Companies Law in connection to the remunerations of Board members, CMA instructions and ASIC policies and Articles of Association.

II) Remunerations Policy for Executive Management:

The remunerations of the Executive Management is related to ASIC performance and achievement of its goals, in line with the volume, nature and degree of risks and positional responsibilities, as well as promoting the principles of belongingness and loyalty, retaining the proper personnel and encouraging ASIC personnel, of various positional levels, to achieve its strategic goals and optimizing profits constantly for the best interests of ASIC, shareholders, investors, stakeholders and related parties. Remunerations include fixed segment, in the form of salaries, bonuses and other fixed benefits, in addition to variable segment, in the form of annual incentives.

A copy of the remunerations report of Board members and Executive Management, and their equivalents, during the fiscal year ending as of 31/12/2022, prepared as per the requirements of corporate governance, is as follows:

| Remunerations and Benefits of Board Members | | | | | | | |
|---|----------------------|--|------------------|--|----------------------|---------------------------------------|---------------|
| Remunerations and Benefits by Affiliates | | | | Remunerations and Benefits by Parent Company | | | Total Members |
| Variable Remunerations and Benefits (KD) | | Fixed Remunerations and Benefits (KD) | | Variable Remunerations and Benefits (KD) | | Fixed Remunerations and Benefits (KD) | |
| Committees Remunerations | Annual Remunerations | Monthly Salaries (Total during the Year) | Health Insurance | Committees Remunerations | Annual Remunerations | Health Insurance | |
| 0 | 88,000 | 48,000 | 1,844 | 80,000 | 0 | 0 | 7 |

| Remunerations and Benefits of Senior Executives and Equivalents | | | | | | | | | | | | | | |
|---|---------------------------------------|---------------------|---------------------|-----------------|----------------|------------------|--|---------------------------------------|----------------------|---------------------|---------------------|-----------------|----------------|---------------------------|
| Remunerations and Benefits by Affiliates | | | | | | | Remunerations and Benefits by Parent Company | | | | | | | |
| Variable Remunerations and Benefits (KD) | Fixed Remunerations and Benefits (KD) | | | | | | Variable Remunerations and Benefits (KD) | Fixed Remunerations and Benefits (KD) | | | | | | Total Executive Positions |
| | Annual Remunerations | Education Allowance | Transport Allowance | House Allowance | Annual Tickets | Health Insurance | | Monthly Salaries | Annual Remunerations | Education Allowance | Transport Allowance | House Allowance | Annual Tickets | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 54,000 | 2,000 | 0 | 5,500 | 1,000 | 9,960 | 277,200 | 7 |

- Any material deviations from the remunerations policy approved by the Board.

N/A

Fourth Rule: Ensuring Integrity of Financial Reporting:

Written declarations by the Board members and Executive Management on integrity and fairness of the prepared financial reporting.

The contents of ASIC annual report include the written declarations by the Board members and Executive Management on fairness and integrity of the prepared financial reporting.

Brief of Applying the Requirements of Forming the Auditing Committee:

The main role of Auditing Committee is to supervise auditing issues and ensuring the fairness and integrity of financial reporting and internal control systems. The Auditing Committee undertakes the following, for example, but without limitation:

- Reviewing the periodical financial statements before presentation to the Board, giving the opinion and recommendation to the Board, in order to ensure the fairness and transparency of financial reporting.
- Recommending to the Board on appointing and reappointing the External Auditors or replacing them and determining their remunerations. On recommending appointment, independency shall be ensured and the appointment letters shall be reviewed.
- Following up the businesses of External Auditors and ensuring that they do not perform any services to ASIC other than the services necessitated by auditing profession.
- Studying the remarks of External Auditors on ASIC financial statements and following up the latest developments.
- Studying the applicable accounting policies and giving opinion and recommendation to the Board in such effect.
- Evaluating the extent of adequacy of internal control system applied by the Company and preparing a report that covers its opinion and recommendations in such effect.

- Technical supervision of ASIC Internal Auditing Department for verifying its effectiveness in performing the roles and duties assigned by the Board.
- Recommending appointment, transfer, removal and appraisal of performance of Internal Auditing Manager and the performance of Internal Auditing Department.
- Reviewing and approving the auditing plans proposed by the Internal Auditor and commenting thereon.
- Reviewing the results of internal auditing reports and ensuring that necessary corrective actions were taken for the remarks covered by the report.
- Reviewing the results of regulatory authorities' reports and ensuring that necessary actions were taken.
- Ensuring ASIC compliance with related laws, policies, systems and instructions.

During 2023, there was no conflict between the recommendations of Auditing Committee and Board resolutions.

Independency and Impartiality of External Auditor:

Auditor was appointed as approved by the General Assembly, following the Board's recommendation and the Auditing Committee has ensured that he is enrolled in the CMA related register. He satisfies all conditions stated in the CMA resolution requirements on enrollment of auditors. During the General Assembly, convened on 11/05/2023, shareholders has appointed the External Auditor for 2023, Mr. Abdulkarim Abdullah Abdulkarim Al-Samdan, Al Aiban, Al Osaimi & Partners (Ernst & Young).

External Auditor conducts an annual and independent audit and quarterly review for ensuring that financial statements are prepared in line with the IFRSs approved by the Kuwaiti regulatory authorities.

Fifth Rule:

Setting Sound Systems for Risk Management and Internal Control:

Requirements of Forming Risk Management Independent Department:

ASIC has developed the effective systems and regulations for risk management in order to measure and follow up all forms of risks exposed to by the Company and for determining, evaluating, measuring and managing the main risks faced by the Company. ASIC risk management is jointly liable for Company's management and its employees. Risk Management educates and ensures informing the employees of the importance of risk management and performance of duties in line with the framework of risk management. Risk Officer shall measure, follow up and limit all types of risks faced by the Company.

Requirements of Forming Risk Management Committee:

The Risk Management Committee is an independent committee of the Board and is concerned with management of risks. Its main role is setting the policies and regulations of risk management in line with the ASIC risk appetite in order to endure the risks exposed to by the Company, provided its tenure shall be three years, unless the Board deems otherwise. It shall have three non-executive members, including the Risk Committee Chairman. The Chairman shall not be a member of Risk Committee. The Risk Committee shall undertake the necessary roles and responsibilities as stated in the rules of corporate governance. The Risk Committee shall meet at least four times per annum and shall write down the minutes of meetings.

The Risk Committee determines, measures and follows up the risks exposed to by the Company by collaborating with the Executive Management and Risk Officer. It shall be responsible for advising the Board on the Company's present and future risks strategy and policy, as well as supervising the Company's strategy approved by the Board. The Risk Committee shall review the policies and strategies of Company's risk management as per the reports filed by Risk Management Officer, in order to be approved by the Board, in addition to developing the policies and procedures in connection to management of different risks.

It shall be responsible for determining, measuring, controlling and supervising the system of risks exposed to by the Company and preparing the related reports. Additionally, it shall play the role of following up the results of reports on evaluating and controlling the risks exposed to by the Company.

Generally speaking, the Risk Committee ensures consistency of Company's comprehensive works and businesses with the appetite approved by the Board, and following up development of risk policies, procedures and approaches that consistent and compatible with the risk appetite. It shall supervise development and implementation of structure and systems of risk management suitability, in addition to supervising availability of adequate level of control for the risks and the conditions in connection to Company's businesses.

Internal Control System:

ASIC is eager to put in place the internal control systems that cover all businesses in order to maintain Company's financial integrity, adequate data and effective transactions from all aspects. The principles of internal control of the dual control process are considered in the Company's organizational chart as per the following:

- Proper assignment of powers and responsibilities.
- Complete segregation of roles and avoidance of conflict of interests by the constant updating of Company's organizational chart.
- Dual inspection and control (Internal Auditing Department and Auditing Committee).
- Dual signature (all checks and contracts are endorsed or executed by more than one person as per the hierarchy of powers approved by the Board).
- Appointing an external auditor for auditing the internal control systems and preparing an annual report that is submitted to CMA annually in 90 days from the end of fiscal year.

Additionally, the Company has Compliance and Compatibility Department that has many skills and distinct experience for ensuring compliance with all governing laws and regulations. It is one of the most important tools of internal control inside the Company and works in collaboration with the Auditing Department and Risk Management for ensuring application of all dual inspection and control procedures. The Board is interested in empowering its role constantly.

Requirements of Forming the Independent Department of Internal Auditing:

ASIC Internal Auditing Department develops the policies and procedures of auditing that help the Company apply the corporate governance by constant appraisal of Executive Management's performance for applying internal control systems, in addition to the methods and procedures of internal control for recommending development as required for increasing the efficiency and effectiveness of internal control system. Accordingly, the Board has assigned the Internal Auditing Department, through Auditing Committee, to perform the entrusted duties and responsibilities. Therefore, ASIC Internal Auditing Department is completely technically independent department and reports to Auditing Committee of ASIC Board of Directors.

One of the most important responsibilities of Internal Auditing Department within ASIC is to provide the Board and Executive Management with an independent and objective opinion on availability of regulatory controls, adequate and proper assurances for supporting Company's businesses, improving the controls effectiveness and managing risks and governance operations.

Independency of Internal Auditing Department is a key success factor of auditing role. Therefore, the Internal Auditing Department reports to the Board's Auditing Committee and approves the organizational chart, internal auditing charters and policy, internal auditing plans, approach of risk management and evaluation of achievements and the job performance of the department. The Committee independently meets with the Internal Auditing Manager four times during the year and on a quarterly basis. However, during 2023, during which the merger took place by merging ASIC and Cap Corp, the Committee could not meet with the Internal Auditing Officer due to the latter's vacancy and inability to appoint a replacement to the end of year, due to transfer of all registered jobs to the merging company, resulting from the merger implementation, following obtaining CMA approval, on 30/08/2023, on extension of vacancy period.

Sixth Rule:

Promoting Professional Conduct and Ethical Values:

Standards and Determinants of Professional Conduct and Ethical Values:

The Code of Conduct and Ethics covers the conduct standards that should be followed and observed by ASIC employees on a daily basis in all transactions and at any location where businesses are conducted. In case of any concerns or suspicions of incompliance with the Code of Ethics, the Company promotes and creates the culture of prompt reporting the same to the concerned authority by multiple channels, including line manager, human resources, legal affairs and Compliance and Compatibility Department. No accountability actions or regulatory consequences shall arise against any person due to reporting his concerns or suspicions of any legal or regulatory violations.

Policies and Mechanisms for Restricting Conflicts of Interests:

ASIC adopts procedures and mechanisms for restricting the conflicts of interests. The Board members are concerned with shareholders' interests, avoiding conflicts of interests with their personal interests and performing the duties assigned by the Company.

These mechanisms aim at preventing conflicts of interests and employment of internal information for personal interests. These mechanisms constitute a part of the Company's compliance with integrity in transacting with related parties. The Company is interested in preparing a package of policies and procedures that ensure not using ASIC assets and resources for personal interests, including the policy of related parties' transactions, policy of information security and secrecy and policy of reporting illegal practices.

Seventh Rule:

Accurate and Timely Disclosure and Transparency:

Mechanisms of Accurate and Transparent Presentation and Disclosure that Set Aspects, Areas and Characteristics of Disclosure:

ASIC, constantly, timely and properly, discloses all transactions and properties by the Company or by the customers of its investment portfolios, in addition to disclosure of all quarterly and annual

financial statements on completion without any undue delay, in order to assure the shareholders and investors of Company's positions. In all disclosures, that Company ensures consistency with standards applied by CMA in such effect.

Requirements of Disclosures Registers of Board Members and Executive Management:

The Board has developed the mechanisms of accurate, transparent and timely presentation and disclosure as follows:

- The Board has developed the mechanisms of presentation and disclosure in line with corporate governance rules.
- ASIC has developed a register for disclosures of Board members and Executive Management.
- ASIC has established Investors' Affairs Unit that is responsible for making available and providing the data, information and reports necessary for potential investors. The Investors' Affairs Unit is properly independent and directly reports to the Board, for providing the data, information and reports on a timely basis and accurately, which shall be through the recognized methods of disclosure, including ASIC website.
- ASIC has developed the IT infrastructure, which is highly relied on for disclosures and the ASIC website has a separate page for corporate governance.

Requirements of Forming the Investors' Affairs Unit:

In August 30, 2020, the Board has appointed Mrs. Sara Al-Makimi as the Officer of Investors' Affairs Unit and Social Responsibility, as per and in completion for the ASIC establishment of Investors' Affairs Unit, according to the rules of corporate governance. Additionally, the policies and procedures of Investors' Affairs Unit were developed for regulating the mechanism of dealing with investors. The Investors' Affairs Unit is responsible for making available and providing the data, information and reports necessary for investors and shareholders by the recognized channels of disclosure.

Development of IT Infrastructure:

ASIC, constantly, updates its website for providing all data and information closely related to disclosure of information necessary for shareholders and investors, and for adding all necessary data as per governance rules. During this year, ASIC has updated and developed the website to present the latest data and information necessary for shareholders and potential investors.

Eighth Rule:

Respecting Shareholders' Rights:

Requirements of Determining and Protecting Shareholders' General Rights:

ASIC adopts rules for ensuring justice, equality and transparency for all investors. The Board formulated investors' policy for enabling them to practice their rights carefully. It includes providing all information on the Company in a fair, systematic and easy way, including ASIC financial performance, goals, strategies, corporate governance and risk appetite.

Establishing a Register to be Maintained by a Clearinghouse:

ASIC executed an agreement with Kuwait Clearing Company, whereby the latter shall maintain the shareholders' register of ASIC and update thereof as per the finalized transactions. Additionally, the Company shall maintain electronic register of shareholders and shall not notated with any changes as per the transactions. The related parties shall have the right to access such register.

Encouraging Shareholders to Attend and Vote for ASIC Assemblies:

Shareholders are encouraged to participate actively in ASIC assemblies by sending the necessary invitations to shareholders, including the agenda, enclosures and the convention time and place, as well as showing the unencumbered rights of shareholders to vote.

Some of shareholders' rights include, without limitation:

- The right to receive dividends.
- The right to receive a part of assets in case of liquidation, as per the provisions of Companies Law.
- The right to access the information and data on Company's activities and strategies on a regular basis.
- The right to take part in General Assemblies and vote as per the laws and regulations.
- The right to vote during the elections of Board members.
- The right to control Company's performance, in general, and the Board, in particular.
- The right to question Board members and Executive Management as per the provisions of Companies Law.
- The right to register the price of their shares.
- The right to register, transfer and assign the shares title.
- The right to review shareholders' register.

Ninth Rule:

Realization of Stakeholders' Role:

Systems and Policies Guaranteeing Protection and Recognition of Stakeholders' Rights:

ASIC has developed the policy of stakeholders' protection. It was designed for ensuring respect and protection the stakeholders as per the Kuwaiti applicable laws, such as Labor Law and Companies Law and its Executive Regulation, in addition to the mutually executed contracts and any additional declarations by the Company towards the stakeholders. It aims at restricting the conflict of interests, taking into consideration that no stakeholder shall receive any benefit from dealing with the contracts and transactions in the Company's normal course of business.

Additionally, the Company protects the rights of stakeholders and provides stability and professional sustainability by the proper financial performance. The parties that the Company considers as stakeholders were identified by the developed policy and the guidelines on protection of these rights were developed.

Encouraging Stakeholders to Participate in Following up ASIC Various Activities:

For avoiding the conflicting transactions of stakeholders, whether as contracts or transactions with the Company, with the shareholders' interests, the Company shall take into consideration that no stakeholder shall receive any benefit from dealing with the contracts and transactions in the Company's normal course of business. Additionally, the Company develops internal policies and regulations that include clear mechanism for awarding different contracts and transactions.

Additionally, the Company develops mechanisms that ensure optimal use of stakeholders' contributions in the Company, and encouraging them to participate in its businesses., in line with

the best of its interests. The Company provides stakeholders with access to all related data and information, which could be relied on a timely basis and regularly. The Company has facilitated stakeholders' reporting to the Board any improper practices that are exposed to by the Company, and provides the whistleblowers with proper protection.

Tenth Rule:

Promoting and Improving Performance:

Mechanisms of Allowing Constant Training Programs and Courses to Board Members and Executive Management:

The continuous training and qualification of Board members and Executive Management are pivotal for corporate governance and significantly contribute to promoting Company's performance. Accordingly, the Company is deeply interested in the training aspects of all members of the Board and Executive Management, by providing them with training programs that ensure reaching a proper understanding for Company's progress of business, strategies, and financial and operational aspects of Company's activities and the legal and regulatory obligations.

Performance Appraisal of the Board, in its Entirety, and each Member of the Board and Executive Management:

ASIC has developed policies and procedures approved by the Board, by which an official process is performed for checking the annual performance of the members of the Board and its committees, and their effective roles and contributions in administering the affairs of ASIC.

The aim of performance appraisal is to put in place an official, systemic and consistent method for evaluating the performance of the Board and its committees, in order to take the actions for improving its performance. In addition, such process shall be employed for providing Board's recommendations to shareholders during members' elections.

Performance appraisal of Executive Management is a powerful tool for translating the Company's business plans into procedures and for promoting Company's culture for achieving the strategic goals.

On an annual basis, the performance of the Board and its members and committees, in addition to the CEO, is appraised by the forms of performance appraisal development by the Nominations and Remunerational Committee. The Board has approved the results of performance appraisal, in line with the corporate governance and the related internal policy.

Board's Efforts for Creating Institutional Values for Company's Personnel:

Represented by the Board and Executive Management, ASIC is interested in constantly ensuring the importance of creating institutional values for the Company's personnel, by achieving the strategic goals, improving performance ratios and compliance with regulatory authorities' laws and governance rules.

In such mainstream, ASIC publishes many periodical reports (annual report, governance annual report, Auditing Committee's report) that cover all information for helping the Board, Executive Management, shareholders and stakeholders make proper and systemic decisions.

Eleventh Rule:

I) Brief of Corporate Social Responsibility (CSR):

ASIC has developed social responsibility policy for promoting awareness of social responsibility importance among the Company's personnel, stakeholders, shareholders and the existing and potential investors, and for ensuring its approach and attitude in connection to social responsibility.

For the Company's successful performance of social responsibility, it relies on three main standards:

- Respect and responsibility, i.e. Company's respect for internal environment (personnel) and external environment (society members).
- Supporting and helping the society.
- Environment protection, whether in terms of eco-friendliness of the Company's products, or its initiative to serve the environment, improve environmental conditions and address environmental problems.

II) Social Responsibility Programs during the Year:

ASIC social responsibility is a pivotal and effective element for expressing our identity. It is not restricted to the notion of gratitude to the society and how to improve its contribution in charities. Rather, we take into consideration the type and quality of initiatives and its impact on our beloved country and people. We are deeply interested in encouraging and celebrating the good deeds, continuous development and getting rid of any wrongdoing. Additionally, we are seeking promoting awareness and culture by the media, positively highlighting the achievements and always offering help when available. During 2023, we sought expanding our vision and diversifying the resources of exertion of efforts, in order to promote awareness in different areas and for various issues. The greatest deal of concentration is on health, youth and woman's empowerment.

National Day and Libation Day Celebration: Supporting Local Artists Initiative

ASIC organized the celebration of National Day and Liberation Day, during which the local young artists, selected as per the standards of vertical graffiti paintings, were supported.

Conceptually, graffiti featuring Kuwait and its progress and historical, political and social development shall be painted on the ASIC B1 pillars of parking lots. The celebration witnessed an unprecedented success and received high media attention for the artists and talents who presented Kuwait beautifully. The expo was not our sole method for encouraging the art movement in Kuwait by supporting the young artists only, but also the graffiti embodied the versatile pillars of Kuwaiti society. We had a question, i.e. what makes Kuwait distinct and different. We reached 18 different elements, such as culture, constitution, democracy, freedom of speech, art, woman's right, etc. Artists painted pillars and translated, by their special technique, such elements, making it distinct in an expected space.

Woman's Day Event: Professionals' Round Table

ASIC participated in sponsoring the event of woman's empowerment in Volvo Studio, in addition to taking part through the visions and experience of Mrs. Sara Al-Makimi, ASIC Manager of Public Relations and Marketing. The aim of such event was to present the experience of professional, successful and highly competent females working in different disciplines. The event has hosted the public directly, offering a platform for small enterprises owned by females. Additionally, it highlighted the creative females in the fields dominated by males, such as auto, investment, property and mechanics.

Environment Day:

On the occasion of Environment Day, we have published an electronic bulletin on June 5, for reminding our employees, guests and customers of B1 Al Safat Green Area that provides free charger for the electrical and hybrid cars. This environmental initiative was launched in 2021 for encouraging the movement of less or zero fuel cars in Kuwait.

Watheefati Job Expo:

ASIC participated in the Watheefati Job Expo that was held from the 19th-21st October 2023, at the Arena in 360 Mall. The Expo hosted many prominent financial institutions, factories, telecommunication companies and banks, amongst many more over the 3-day event. The Company received great attention from many graduates, as well as jobseekers looking for a shift in their careers. Our participation stemmed from our constant quest to incubate and professionally host local talents in our company. Aligning our vision with State of Kuwait's mission to encourage youth to work for the private sector.

Breast Cancer Awareness Lecture, October 2023:

In cooperation with Al-Salam International Hospital, ASIC organized a Breast Cancer Awareness Lecture dedicated to all female employees of ASIC and Al Safat Tower. During this lecture, the ladies listened to a detailed presentation about the disease, asked questions and learned about the importance of sporadic self-check and annual mammogram tests.

November: Men's Health Awareness Campaign, November 2023

Another lecture was organized with a specialized doctor from Al-Salam International Hospital, showcasing to the male employees of ASIC and Al Safat Tower the symptoms and causes of Prostate cancer. The attendees had an open discussion with the specialists about not only physical health, but also mental health and how to manage stress and balance between life and work.

Appreciation and Gratitude:

Eventually, I would like to heartedly thank the Board for its support and confidence during this march. We would not reach this advanced stage without its positive cooperation and continuous understanding of what the Company passes through and aspires. Additionally, I have to thank the Executive Management and all personnel, who greatly contributed, by their hardworking, illuminating ideas and expansive culture according to their relevant area and discipline, in Company's restoration of this position.

Al Safat Investment Company (ASIC), thanks to the leadership, supervision and execution by hardworking, makes great strides towards a flourishing future of sustainable development in performance and results. In addition, I would like to thank all regulatory authorities and partners for their continuous cooperation and constructive support.



Abdullah Hamad AlTerkait
Chairman