

# GOVERNANCE REPORT

# 2024 ANNUAL REPORT

For The Year Ended 31 December, 2024



شركة الصفاء للاستثمار  
AL SAFAT INVESTMENT COMPANY

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## Corporate Governance Report for Al Safat Investment Company (ASIC) For the Fiscal Year ending as of December 31, 2024

### Overview of Governance Principles

Al Safat Investment Co. holds the strong conviction that an efficient corporate governance framework constitutes a significant factor in achieving business success. Recognizing its importance in fostering trust and providing opportunities for the implementation of comprehensive and sustainable changes consistent with the company's values, a primary objective of the company and its management is to establish a robust and practical governance framework. This framework will take into account the rights of stakeholders and investors, comply with relevant regulatory requirements, and recognize environmental, social, health, and economic targets.

Al Safat Investment Co. relies on its effective risk management capabilities to continue realizing key governance targets, capitalize on new opportunities, meet increasing demands, and maintain compliance with the requirements of regulatory authorities in the State of Kuwait.

Al Safat Investment Co. believes that its long-term success depends on good governance in addition to effective, leading and forward-looking management that would strengthen the rules of this governance.

### Rule One

#### Building a Balanced Structure of the Board of Directors

Given the rapid evolution of the business environment, a diverse Board of Directors is a key factor for success today. Consequently, Al Safat Investment Co.'s Board comprises experienced and skilled individuals, fostering a balanced and effective structure that addresses current business needs.

Al Safat Investment Co. Board of Directors plays a pivotal role in balancing the achievement of the company's strategic goals and, consequently, those of its shareholders. The Board has committed itself to upholding good governance standards by actively implementing governance rules that follow best practices, a comprehensive set of policies, procedures, and mechanisms, and by clearly defining the responsibilities and duties of both the Board of Directors and Executive Management. This commitment is made with due consideration for the rights of shareholders, stakeholders, customers, management, employees, and society.

The Board of Directors of Al Safat Investment Co. comprises seven members elected by the company's general meeting for a three-year term. Formed to align with the company's size and activities, the Board is structured with a majority of non-executive members (three), two independent members, and one executive member. These individuals collectively possess diverse experiences and specialized skills that enhance the efficiency of decision-making.

The board of directors comprises members with the necessary academic qualifications, experience, and skills for the company's activities, as detailed in the following schedule:

Name	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. - 20 year-experience	30 March 2022
Zeyad Tareq Al Mukhaizim	Vice Chairman/ CEO/ Executive	- MBA Degree - Bachelor's degree in engineering - 21-year experience	1st May 2024
Yousef Sulaiman AlThuwaikh	Member/ Non-Executive	- Bachelor's degree in accounting - 30-year experience	1st May 2024
Ahmed Fathy Abouzeid	Member/ Non-Executive	- Bachelor's degree in accounting - 30-year experience	26 June 2024
Abdul Muhsen Sulaiman Al Meshan	Member/ Independent	- Bachelor's degree in international finance and marketing. - 45 year-experience.	30 March 2022
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with specialization in General and Strategic Management. - Bachelor's degree in accounting. - 19.5 year- experience.	30 March 2022
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., master's and bachelor's degree in civil engineering. - Bachelor's degree in architecture. - 47 year- experience.	30 March 2022
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. - 27- year experience	23 February 2014

Members of the Board of Directors dedicate sufficient time to review all tasks & responsibilities assigned to them; they meet at the invitation of the chairman.

### Summary of the Board's Meetings:

The Board of Directors held nine meetings and passed one resolution during the year 2024, as shown in the following statement:

Member Meeting Date	Abdullah Hamad Al-Terkait	Fahad Abdul Rahman Al Mukhaizim	Abdul Muhsen Sulaiman Al Meshan	Dr. Anwar Ali Al Naqi	Nasser Bader Al Sharhan	Abdul Razzaq Zaid Al Dhubayan	Mishal Ahmad Al Jareki
Meeting (1), dated 28/2/2024	√	√	√	√	√	√	√
Meeting (2), dated 14/3/2024	√	√	√	√	√	√	√
Meeting (3), dated 18/4/2024	√	Resignation	√	√	Resignation	Resignation	√
Member Meeting Date	Abdullah Hamad Al-Terkait	Zeyad Tareq Al Mukhaizim	Abdul Muhsen Sulaiman Al Meshan	Dr. Anwar Ali Al Naqi	Yousef Sulaiman AlThuwaikh	Ahmed Fathy Abouzeid	Mishal Ahmad Al Jareki
Meeting (4), dated 1/5/2024	√	√	√	√	√	√	√
Meeting (5), dated 15/5/2024	√	√	√	√	√	√	√
Meeting (6), dated 26/6/2024	√	√	√	√	√	√	√
Meeting (7), dated 14/8/2024	√	√	√	√	√	√	√
Meeting (8), dated 06/11/2024	√	√	√	√	√	√	√
Meeting (9), dated 19/12/2024	√	√	√	√	√	√	√

#### 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 checks the adherence to the procedures approved by the Board relating to exchange of information between Board members, associated Committees and the Executive Management, as well as setting Board meetings schedules, sending invitations at least 3 working days prior to the meetings, excluding emergency meetings. 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.

#### The independent member's declaration of meeting the independence criteria stipulated in Article (2-3) of Book Fifteen (Corporate Governance) is attached to this report.

##### Rule Two

##### Properly defining tasks and responsibilities

**Brief note on how the company sets the policy, tasks, responsibilities and duties of each member of the Board and the Executive Management, as well as the powers and terms of reference delegated to Executive Management:**

- Al Safat Investment Company's Board of Directors is responsible for supervising overall performance, defining strategic orientation and goals, approving and periodically reviewing the overall strategy, and setting the company's organizational and administrative structure and

supervisory regulations. Furthermore, the Board oversees Executive Management's performance and strategic execution. It also monitors and prevents conflicts of interest and the misuse of influence. Additionally, the Board is responsible for approving accurate consolidated financial statements prepared in accordance with IFRS, and for establishing the necessary internal control framework to ensure these statements are free from material errors.

- Al Safat Investment Co. has established a detailed framework, approved by the Board, delineating the tasks, responsibilities, and duties of Board members and the Executive Management, as well as the latter's mandated powers and terms of reference.

#### The following are the main tasks and responsibilities of the Board:

1. Approval of the principal goals, strategies, plans and policies of the company.
2. Approval of the annual interim budgets and the quarterly and annual financial statements.
3. Supervising the company's main capital spending and its ownership of assets and investments.
4. Ensuring the company's departments adhere to policies and procedures for compliance with applicable internal regulations and rules.
5. Verifying the accuracy and validity of data before disclosure, as required by transparency policies and systems.
6. Establish 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. Designing the corporate governance structure, providing general supervision, evaluating its efficacy, and implementing required modifications.
8. Monitoring the performance of the Board, committees, and Executive Management by using key performance indicators.
9. Preparing the annual report to be presented to the General Assembly and formation of specialized committees in accordance with regulatory authorities' requirements and defining responsibilities, rights and obligations.
10. Defining powers of 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 rights.
13. Preparing a mechanism for regulating the transactions with the related parties in order to avoid conflict of interest.
14. Establishing sound financial and accounting controls, employing key risk indicators and their analysis, and evaluating the company's risk tolerance.

#### Executive Management's key tasks and responsibilities are:

- 1- Working towards carrying out all the company policies and internal regulations as approved by the BoD.
- 2- Preparing periodic reports on the progress of the company activity in light of its strategic plans and goals and submitting these reports to the BoD.
- 3- The establishment of an integrated accounting system is necessary to ensure the separate and accurate reflection of financial data and income accounts. This system will support the

preservation of the company's assets and the preparation of financial statements in accordance with international accounting standards mandated by the Capital Markets Authority.

- 4- Efficiently run the company's day-to-day activities and resources to maximize profits and minimize costs, aligning with our goals and strategy.
- 5- Collaborating actively to develop and embed a strong code of ethics within the company culture.
- 6- Setting systems of internal oversight and risk management and ensuring their efficiency, comprehensiveness and adequacy, and adherence to risk tolerance as approved by BoD.

#### Achievements of the Board in 2024:

To fulfill its responsibilities for optimal financial and operational performance and the successful execution of the company's strategic plan, the Board achieved several key milestones in 2024, including:

- 1- Approved the audited and consolidated annual financial statements.
- 2- Approved the re-appointment of Mr. Abdul Karim Abdullah Abdul Karim Al-Samdan of Al-Aiban and Al-Osaimi office (EY) to serve as the company's external auditor for the fiscal year ending December 31, 2024.
- 3- Approved appointing a new external Sharia auditor (Osol for Sharia Consulting).
- 4- The Board of Directors and Executive Management signed the annual pledge form, affirming the integrity and soundness of the financial data.
- 5- The recommendation is to withhold dividends distribution for the fiscal year ending December 31, 2023.
- 6- Approved the Nominations and Remuneration Committee's recommendations, specifically regarding:
  - Confirming the independence of the independent board member and their signed declaration.
  - Endorsing the annual remuneration report for the Board and Executive Management for the General Assembly presentation.
  - Agreeing with the recommendation of no remuneration for board members for the fiscal year ending December 31, 2023, and its submission to the General Assembly.
  - Approving the annual corporate governance report for the next General Assembly.
  - Approving the annual report for the Annual General Assembly.
  - Approving the comprehensive annual report.
- 7- Approve the Annual Ordinary General Assembly agenda.
- 8- Approve the Compliance Department's annual report on anti-money laundering and combating the financing of terrorism.
- 9- Approve the independent auditor's annual report on Module Seven: Clients' Funds and Assets.
- 10- Approve the independent auditor's annual report on Module Sixteen: Anti-Money Laundering.
- 11- Reviewed the annual Internal Control Review (ICR) report.
- 12- Approved the annual and semi-annual risk reports.
- 13- Approved the draft condensed and consolidated interim financial statements (unaudited).
- 14- Followed up on observations and violations issued by regulatory authorities, recommending their resolution and future prevention.

- 15- Approved the company's updated policies and procedures in accordance with Capital Markets Authority guidelines.
- 16- Evaluated Board member performance and review evaluations of Board committee members (Audit, Risk, Remuneration and Nominations) and the CEO's performance.
- 17- Provision of the annual training course entitled Anti-Money Laundering and Combating the Financing of Terrorism.

#### A summary of the requirements for establishing the Board's specialized independent committees, detailing the necessary information for each.

The Board has actively strengthened its supervision of company operations by forming sub-committees and approving their charters, which outline their specific responsibilities and terms of reference. Committee members bring valuable technical and practical skills to effectively fulfill their assigned duties.

#### 1. Audit Committee

Formation of the committee: 27 April 2022. The committee's new composition, effective May 15, 2024, is detailed below.

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

Members of the committee:

Mr. Yousef Sulaiman AlThuwaikh - Chairman

Mr. Mishal Ahmad Al Jareki- Vice Chairman

Mr. Abdul Muhsen Sulaiman Al Meshan – Member

The number of meetings held during 2024: Eight meetings.

#### Responsibilities and achievements of the committee in 2024

- Reviewed the draft interim and annual financial statements and recommended them to the Board of Directors for approval.
- Submitted a recommendation to reappoint Mr. Abdul Karim Abdullah Abdul Karim Al-Samdan of Al-Aiban and Al-Osaimi office (EY) to serve as the company's external auditor for the financial year ending December 31, 2024.
- Submitted a recommendation to reappoint the external Sharia auditor (Osol for Sharia Consulting) for the fiscal year ending December 31, 2024.
- Revised the Audit Committee Charter and recommended Board approval.
- Reviewed updated departmental policies and procedures, recommending Board approval.
- Approved the annual internal audit plan from BDO Al Nisf and Partners following Authority engagement approval.
- Held quarterly meetings with the internal auditor to discuss audit report findings across all departments.
- Reviewed internal audit reports for all departments and assigned follow-up on observations to relevant individuals for resolution with company managers.
- Reviewed interim and annual internal Sharia audit reports to ensure the Sharia audit unit's oversight of company activities and Sharia compliance.
- Reviewed interim and annual reports from the external Sharia auditor.
- Reviewed the annual Internal Control Review (ICR) and tasked relevant management with

addressing report observations with respective departments.

- Reviewed the annual anti-money laundering report (submitted via the Capital Markets Authority's portal and the auditor's report) and recommended Board approval and timely submission to the Authority.
- Reviewed findings from regulatory authorities' reports regarding observation handling and future remediation efforts.
- No conflicts arose between the Committee and Board recommendations during the year.

## 2. Risk Committee:

Formation of the committee: 27 April 2022. The committee's new composition, effective May 15, 2024, is detailed below.

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

Members of the committee:

Mr. Mishal Ahmad Al Jareki-Chairman  
 Mr. Abdul Muhsen Sulaiman Al Meshan- Vice Chairman  
 Mr. Zeyad Tareq Al Mukhaizim – Member

The number of meetings held during 2024: Eight meetings

### Responsibilities and achievements of the committee in 2024:

- Approved the semi-annual risk reports submitted to the Capital Markets Authority (CMA) for the periods ending December 31, 2023, and June 30, 2024, and recommended presenting the reports to the Board of Directors for follow-up and addressing any observations.
- Ensured the independence of risk management and the impartiality of management reports.
- Approved Allinial Al Basam's appointment for the 2024 risk management development.
- Review risk reports on related-party transactions.
- Update and submit the Risk Committee charter for Board approval.
- Update and submit the Risk Management Policies and Procedures Manual for Board approval.
- Update the risk appetite and recommend it for Board approval.
- Update the Disaster Recovery and Business Continuity Testing Plan Manual for Board approval and carry out the annual testing.

## 3. Remuneration and Nomination 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  
 Dr. Anwar Ali Al Naqi- Vice Chairman  
 Mr. Abdul Muhsen Sulaiman Al Meshan – Member

The number of meetings held during 2024: Four meetings

### Responsibilities and achievements of the committee during 2024

- Updated the Remuneration and Nominations Committee Charter and submitted it to the Board of Directors for approval.

- Discussed the annual compensation requirements for the Board's committees and approved the compensation requirements for committee members.
- Reviewed the annual remuneration report for members of the Board of Directors and Executive Management and submitted the recommendation to the Board of Directors.
- Reviewed the annual Corporate Governance Report and submitted it to the Board of Directors for approval, prior to its presentation to the General Assembly.
- Ensured that the independent members of the Board of Directors were not lacking in independence.
- Evaluated the annual performance of committee members.
- Prepared and submitted annual evaluation forms for the Board of Directors and its committees, in addition to the CEO's performance evaluation form, and submitted them to the Board of Directors.
- Reviewed the procedures for accepting the resignation of certain Board members, reviewed replacement letters received from legal entities holding membership, reviewed the new candidates' eligibility requirements, and submitted a recommendation to the Board of Directors to obtain the Authority's approval to open by-elections.

## 4. Provisions Committee:

Formation of the committee: 27 April 2022. The committee's new composition, effective May 15, 2024, is detailed below.

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

Members of the committee:

Mr. Yousef Sulaiman AlThuwaikh -Chairman  
 Mr. Herarld Leo Fernandes -Member and Committee Rapporteur  
 Bassem Jaafar Abdoun-Member

The number of meetings held during 2024: Two meetings

### Responsibilities and achievements of the committee in 2024:

- Approved new provisions.

**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 the 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, and in accordance with relevant laws and legislations. Members receive the agenda and all relevant documents three working days before the meeting, ensuring ample time for review and informed decisions.

## Rule Three

### Selecting qualified persons for Board membership and Executive Management

### Brief on implementation of requirements for formation of nomination and remuneration committee:

The nomination and remuneration committee assists the Board of Directors in performing supervisory responsibilities, including: effectiveness, integrity and adherence to the Company's nomination and

remuneration policies and procedures, reviewing and approving selection criteria and 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 a 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 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 the Board of Directors and the Executive Management.
- Determine the required skill requirements appropriate to the membership of the Board and review these requirements annually.
- Attract applications for those wishing to occupy executive positions as needed, and study and review these requests.
- Establish clear tiers for employee rewards.
- 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 ensure that the independence status of independent members is not eliminated.
- Establish processes for assessing the Board's, individual members', and Executive Management's effectiveness.
- Establish objective metrics to assess the performance of the entire board, individual directors, and executive management.
- Review and suggest training programs and workshops for members of the Board of Directors and executive management.
- Reviewing the payroll and job grades periodically.
- Prepare a detailed annual report on all bonuses granted to members of the Board of Directors and 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.

## Report on Board and Executive Management Remuneration:

### I) Board of Directors Remuneration Policy

Al Safat Investment Co. adopts a transparent policy relating to the remuneration of BoD members whether for charging their duties and attendance of Board meetings or meetings of its committees. The company's approach to compensating Board members is governed by the stipulations of Companies Law, the directives issued by the Capital Markets Authority, the company's own established policies, and its articles of association.

Second: Remuneration policy for the Executive Management

### II) Remunerations of the Executive Management

The remuneration framework of the executive management is tied to how well the company performs and meets its goals, considering its size, industry, and the risks and responsibilities involved. This approach aims to make employees feel valued and loyal, keep talented people, and motivate everyone to help the company succeed strategically. Ultimately, this boosts ongoing profits for the benefit of the company, shareholders, investors, stakeholders, and related parties. Remuneration includes a fixed part (salary, bonuses, benefits) and a variable part (annual performance bonuses).

**The following remuneration report for members of the Board of Directors, Executive Management, and individuals in similar positions for the fiscal year ending December 31, 2024, has been prepared in accordance with corporate governance requirements.**

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	100,000	48,000	1,933	70,000	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)					
Annual Remunerations	Education Allowance	Transport Allowance	House Allowance	Annual Tickets	Health Insurance	Monthly Salaries	Annual Remunerations	Education Allowance	Transport Allowance	House Allowance	Annual Tickets	Health Insurance	Total Monthly Salaries during the Year
0	0	0	0	0	0	0	90,350	8,000	0	-	-	10,546	320,000

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

N/A

#### Rule Four:

##### Ensuring the integrity of financial reports

**The Board of Directors and the Executive Management pledge in writing to the integrity of the financial reports prepared.**

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

##### 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 integrity of financial reports and internal control systems. The Audit Committee performs the following tasks, for example and not limited to:**

- Reviewing the periodic financial statements before submitting them to the Board of Directors and providing an opinion and recommendation on them to the Board, to ensure fairness and transparency of financial reporting.
- Recommending to the Board of Directors the appointment, reappointment, or replacement of external auditors and determining their remuneration, ensuring their independence and reviewing their letters of appointment.
- Monitoring the work of the external auditors and ensuring they do not provide services to the company beyond those required by the auditing profession.
- Reviewing the external auditors' observations on the company's financial statements and following up on any actions taken.
- Studying the accounting policies in place and providing an opinion and recommendation on them to the Board of Directors.
- Evaluating the adequacy of the internal control systems implemented within the company and preparing a report containing the committee's opinion and recommendations.
- Technically supervising the company's internal audit department to verify its effectiveness in carrying out the work and tasks specified by the Board of Directors.
- Recommending the appointment, transfer, and dismissal of the internal audit manager, and evaluating their performance and the performance of the internal audit department.
- Reviewing and approving the audit plans proposed by the internal auditor and providing comments on them.
- Reviewing the results of internal audit reports and ensuring that necessary corrective actions have been taken regarding the observations contained therein. The committee held meetings with the internal auditor four times in 2024.
- Reviewing the results of regulatory reports and ensuring that necessary actions have been taken.
- Ensuring the company's compliance with relevant laws, policies, systems, and instructions.
- In 2024, the Audit Committee's recommendations aligned with the Board of Directors' decisions.

##### Independence & Impartiality of the External Auditor

The appointment of the auditor requires the approval of the General Assembly, subsequent to a recommendation from the Board of Directors and confirmation by the Audit Committee that the proposed auditor is registered in the CMA's register and satisfies all the criteria outlined in the CMA's decision concerning the Auditors' Register System. At the Annual General Assembly meeting, the shareholders recommended the reappointment of the company's external auditor for the fiscal year

ending December 31, 2024, namely Mr. Abdul Karim Abdullah Abdul Karim Al-Samdan of the Al-Aiban and Al-Osaimi (EY) office.

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 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 independent Risk Management:

Al Safat Investment Co. has established risk management regulations and effective measures to define, evaluate, gauge, and manage the major risks facing the company. Risk management is the joint responsibility of the company's management and employees. The Risk Management department is charged with ensuring that employees are aware of the importance of risk management and carry out their tasks accordingly. The Head of Risk Management measures, monitors, and limits the various potential risks facing the company.

##### Requirements for the formation of a Risk Management Committee:

As an independent body created by the Board of Directors, the Risk Committee focuses specifically on risk management. Its key responsibility is the creation of risk management policies and regulations that reflect the company's risk appetite. The committee consists of three members, with a Risk Committee Chairman separate from the Board Chairman, each serving a three-year term. The Risk Committee adheres to the Corporate Governance Rules in its operations and holds meetings at a minimum of once per quarter, maintaining meeting minutes.

The Risk Committee identifies, measures, and monitors risks the company is exposed to in collaboration with the Executive Management and the company's Risk Management Officer. The committee provides the Board with advice on the current and future risk strategy and policy and supervises the company's strategy approved by the Board of Directors. The Risk Committee also reviews the company's Risk Management policies and procedures in accordance with the reports submitted by the Risk Management Officer prior to approval by the Board. In addition, the committee develops the policies and procedures for 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 reports thereon. The committee also follows up the results of the assessment reports and monitors the company's risk exposure.

Overall, the committee verifies the consistency of the company's business strategy and its business activities with the risk appetite approved by the Board. It also follows up 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 an appropriate structure and systems for risk management in addition to ensuring the provision of an adequate level of risk control and regulations related to the company's business.

##### Internal Control System:

The company is keen on establishing a comprehensive internal control system covering all its activities to ensure overall financial soundness, data accuracy, and operational efficiency. This system incorporates the principle of dual control within the company's organizational structure through:

- Establishing appropriate roles and responsibilities.
- Complete separation of duties and 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 cheques 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 per annum within a maximum of 90 days from the end date of the financial year.

The company's Conformity and Compliance Management encompasses a range of distinct skills and expertise to ensure adherence to all rules and bylaws. This management function, a crucial tool for internal control and regulation, collaborates with Audit Management and Risk Management to implement inspection procedures and dual controls. The Board of Directors ensures the ongoing effectiveness of these management functions.

#### **The Requirements for Establishing an Independent Internal Audit Department:**

The company's Internal Audit Department establishes audit policies and procedures to support the implementation of its governance framework. This is accomplished through ongoing evaluation of executive management's performance in implementing internal controls, as well as internal control methods and procedures, with recommendations for improvement to enhance the internal system's efficiency and effectiveness. Consequently, the Board of Directors, via the Audit Committee, has assigned the Internal Audit Department its duties and responsibilities. Therefore, the department maintains complete technical independence and reports directly to the Audit Committee, which is part of the Board of Directors.

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 controls, and adequate and appropriate guarantees to support the company's activities, improve the effectiveness of controls, risk management and governance processes.

The independence of the Internal Audit Department is crucial for successful audit missions. Therefore, the department reports directly to the Audit Committee of the Company's Board of Directors. The Audit Committee also approves the organizational structure, internal audit charter and policy, audit plans, risk assessment methodology, and the evaluation of the department's achievements and job performance. The Committee meets quarterly with the Director of Internal Audit.

#### **Rule Six**

##### **Promoting professional behavior and ethical values:**

##### **Standards and determinants of the Code of Ethics and Business Conduct:**

The Code of Ethics and Business Conduct includes standards of behavior that all company employees must follow and consider daily in all transactions in the workplace. If any concerns or doubts about non-compliance with the code of ethics are raised, the company seeks to motivate and create a culture of immediate reporting to the competent unit through several channels, including line manager, human resources, legal affairs, and conformity and compliance management. Meanwhile, no accountability measures or legal consequences of any kind should be taken against any person reporting concerns or doubts related to legal or statutory violations.

#### **Policies and mechanisms for limiting conflicts of interest:**

The company follows procedures and mechanisms for limiting conflict of interest cases, whereby members of the Board of Directors are keen on protecting the interest of shareholders, avoiding conflicts of interest with their personal interests as well as carrying out the tasks assigned to them.

These mechanisms aim to prevent conflicts of interest and the use of insider information to achieve personal gains. These mechanisms are also part of the company's commitment to integrity in dealing with related parties. Al Safat Investment Co. has been keen to prepare a set of policies and procedures that ensure that the company's assets and resources are not used to achieve personal interests, including the policies of dealing with related parties, confidentiality and security of information and reporting 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. discloses continuously and in an accurate and timely manner all transactions and properties carried out by it or by clients of its investment portfolios. It also discloses all the quarterly and annual financial statements upon their completion and without delay, in order to ensure the reassurance of shareholders and investors of the company's conditions. 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:**

Board of Directors set transparent, accurate and timely presentation and disclosure mechanisms as follows:

- The Board of Directors put in place presentation and disclosure mechanisms in line with corporate governance rules.
- The company established a record of disclosures for Board members and Executive Management.
- The company established the Investor Affairs Unit responsible for providing the necessary data, information and reports to its potential investors. As it reports to the Board of Directors, the Investor Affairs Unit enjoys appropriate independence in a way that enables it to provide data, information and reports in a timely and accurate manner. This should be achieved through common channels of disclosures, including the company's website.
- The company has also developed an IT infrastructure on which it relies heavily on disclosures, while the company's website displays a corporate governance section.

##### **Requirements of formation of Investor Affairs Unit:**

Al Safat Investment Co. has established a dedicated Investor Affairs Unit, as directed by its Board and in accordance with Corporate Governance Rules. This unit has specific policies and procedures in place to manage investor relations, handle their inquiries, and ensure timely provision of essential data, information, and reports through established disclosure channels.

##### **Developing the infrastructure of Information technology:**

Al Safat Investment Co. is keen to update its website to include all data and information integral to disclose information 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 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.'s board of directors established a shareholder policy to empower informed decision-making. This policy, rooted in principles of fairness, equality, and transparency, ensures all shareholders have consistent and straightforward access to crucial company information. This includes details about the company's financial health, strategic objectives, governance practices, and risk assessments.

#### Establishing private records 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 according to the completed transactions. The company also maintains an e-register for the shareholders that includes any changes to the completed transactions, with any party concerned 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, sending them the necessary invitations, the agenda, the necessary attachments, time and place of the meeting, and the statement of shareholders rights to exercise their voting rights with no barriers.

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. conducted stakeholders' protection policy that has been tailored for ensuring respect and protection of related applicable laws in State of Kuwait such as labor law, companies' law and executive bylaws in addition to the signed contracts between both sides. This also includes any additional obligations of the company towards stakeholders to limit the potential conflict of interest considering that none of the stakeholders gains any advantage through the deals and contracts of the company's usual business.

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 conducted policy where guidelines for protecting these rights have been set.

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

The company considers that none of the stakeholders gains any advantage from contracts and deals within the usual business of the company in an attempt to avoid conflict of interest between stakeholders and shareholders. The company also designs internal policies and bylaws with clear mechanism for tendering various contracts and deals.

Al Safat Investment Co. fosters a collaborative environment by creating ways for stakeholders to add value to the company and encourages their active involvement in monitoring its progress to achieve shared success. The company ensures stakeholders have consistent and timely access to all relevant business information, empowering them to stay informed. Furthermore, Al Safat Investment Co. has streamlined a confidential reporting process for stakeholders to raise concerns about any irregularities directly to the Board, with full protection for those who report in good faith.

## Rule Ten

### Fostering and improving performance

#### Mechanisms for providing members of Board of Directors and Executive Management with ongoing training programs and workshops.

To bolster company performance through strong governance, significant effort is directed towards the continuous training and qualifications of its Board of Directors and Executive Management. This is achieved by implementing training programs specifically designed to address the company's business, strategy, operational and financial domains, alongside its regulatory and legal requirements.

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

Al Safat Investment Co. tailored policies and procedures as approved by the Board of Directors to implement official process for review of 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 consistent regular and official methodology for assessing the performance of the Board of Directors and subcommittees, which contributes

to the measures for improving their performance. This process also helps in presenting the recommendations of the Board of Directors to the shareholders during the reelection of members.

It is worth noting that the assessment of the Executive Management performance is deemed as a key tool for translating the company's business plan into procedures while developing the company culture for achieving its strategic goals.

The Remuneration and Nominations Committee annually assesses the performance of the Board, its members and committees, and the CEO using specific evaluation forms. The Board then approves these results, adhering to the Corporate Governance Code and internal policy.

### Board of Directors' efforts in creating corporate ethics for employees

Al Safat Investment Co. represented by the Board of Directors and Executive Management is keen on continuously stressing the importance of creating corporate ethics for all employees. This can be done through achieving the strategic goals of the company while improving the performance ratio, not to mention compliance with regulatory authorities' laws and the governance rules. In accordance with this, the company issues a number of periodic reports (annual report, annual governance report, audit committee report) that include holistic information on efforts 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

### I) Focus on the importance of social responsibility

Al Safat Investment Co. has implemented a social responsibility policy to foster understanding and highlight its commitment among employees, customers, shareholders, and investors. This policy clarifies its approach and future path regarding social responsibility, which it believes is achieved through:

- Respecting and being responsible for our employees and the community.
- Actively supporting and aiding the community.
- And protecting the environment by ensuring our products are environmentally sound and by proactively engaging in services that benefit the environment and address environmental concerns within the community.

### II) Social Responsibility Initiatives in 2024:

Al Safat Investment Co. actively pursues corporate social responsibility as a voluntary commitment to the community and environment, aiming for sustainable development alongside profitability. Our initiatives go beyond charity, focusing on addressing local social needs through impactful activities like supporting education, environmental protection, and community empowerment. We prioritize public awareness and education, particularly in health and culture, as key channels for building trust and enhancing our company's image.

In 2024, we initiated a series of activities and events to support this goal, outlined as follows:

#### Free Awareness Lectures:

Al Safat Investment Co. offered free awareness lectures featuring national experts. Recent sessions included Engineer Hussein Al-Nakas on cybersecurity and Dr. Mohammed Khajah on artificial intelligence.

Additionally, the company provides ongoing health-focused seminars and workshops, such as a workshop on workplace mental health led by practitioner Yasmine Al-Abduljader.

These lectures benefit participants and underscore the company's commitment to leveraging and promoting local talent.

### Charity event: A fun day at Bayt Abullah

This year's charity event brought smiles to young faces at Bayt Abdullah. In collaboration with the Kuwait Association for the Care of Children in Hospital (KACCH) and Bayt Abdullah Children's Hospice (BACCH), the initiative hosted children and their families for a cost-free day of fun and games at e-joy play and entertainment space in Safat Tower. Sponsored by e-joy, this event offered a welcome escape from the challenges of illness and treatment, highlighting the power of charitable work in bringing joy to children.

### Strengthening the Presence of Kuwaiti Women in Investment

Driven by our commitment to fostering financial literacy and engagement among women, including their active participation in finance and investment, our involvement in the SHIFT program's closing event underscored this conviction. This program, dedicated to empowering Kuwaiti women in finance and investment, served as a valuable initial step for us. It marked the beginning of a sustainable initiative to empower women in this sector through specialized training for promising female university students, enabling them to develop investment-related projects and ideas.

### Social Media E-awareness Campaigns

Committed to investor safety and fraud prevention, Al Safat Investment Co. launched a year-long series of e-awareness campaigns on various social media platforms. These campaigns specifically targeted small and novice investors, warning them against potential fraud and deception. Our initiatives included tips and guidelines for investor safety, as well as campaigns against money laundering and the impersonation of reputable investment firms, their managers, and executives.

### Thanks and Gratitude:

To conclude, I wish to express my profound gratitude to the Board of Directors for their steadfast support, confidence, and constructive engagement throughout this period. Their understanding of our company's present circumstances and future ambitions has been indispensable to reaching this significant milestone. I also acknowledge the invaluable contributions of the executive management and all employees, whose diligent efforts, innovative thinking, and comprehensive expertise have been pivotal to our company's advancement.

Al Safat Investment Company's continued progress is a result of effective leadership, rigorous oversight, and committed implementation, all directed towards ensuring sustained enhancement of our performance and results. Lastly, I extend my sincere appreciation to the regulatory authorities and our partners for their consistent cooperation and constructive support.



Abdullah Hamad AlTerkait  
Chairman