

## Audit Committee Report

For the Fiscal Year Ended on 31 December 2022 AD

In compliance with the application of the rules of good governance, the Board of Directors has formed an Audit Committee to support the Board in its oversight role by verifying the adequacy of internal control systems, supervising the internal audit operations and ensuring the independence of the Company's external auditor.

### Committee's Formation:

The Audit Committee was reconfigured on 12/08/2020 to include the following (3) Committee members:

	Name	Membership of Committee
1.	Mr.Nawaf Abdullah Al-Refae	Chairman
2.	Mr.Haitham Tawfiq Al-Furaih	Member
3.	Mr.Saleh Abdulaziz Al-Sarawi	Member
4.	Mr.Ahmad Bader Al-Aslawi	Secretary

### Committee's Meetings:

The Committee held (10) meetings during year 2022.

### Tasks of the Committee:

1. Recommending to the Board of Directors to approve the re-appointment of the internal auditor and determine his fees.
2. Recommending to the Board of Directors the appointment/re-appointment of external auditors, determine their fees and review their letters of appointment.
3. Following up the work of the external auditors and ensuring that they do not perform other work for the Company except for the services required by the auditing profession.
4. Studying the external auditors' observations on the Company's financial statements and following up what has been done in this regard.
5. Studying the adopted accounting policies and expressing an opinion and recommendation to the Board of Directors in this regard.
6. Evaluating the adequacy of the internal control systems applied in the Company and preparing a report that includes the committee's recommendations in this regard.
7. Reviewing the periodic and annual financial statements, presenting them to the Board of Directors expressing an opinion and recommending their approval.
8. Reviewing and approving the audit plans proposed by the internal auditor and expressing observations thereon.

9. Reviewing the results of the oversight authorities' reports and ensuring that the necessary measures have been taken in this regard.
10. Ensuring Company's compliance with relevant laws, policies, systems and instructions.

#### **Achievements of the Committee during Year 2022:**

During the fiscal year ending on 31 December 2022, the Committee accomplished the following tasks:

#### **Financial Statements and Reports:**

Reviewing the financial statements and reports before presenting them to the Board of Directors and expressing an opinion and recommendation regarding them. The following is a description of the financial statements that were presented to the Audit Committee:

- Financial statements for the period ending on 31 March 2022.
- Financial statements for the period ending on 30 June 2022.
- Financial statements for the period ending on 30 September 2022.
- Financial statements for the fiscal year ending on 31 December 2022.

#### **Internal Audit:**

- Review and approval of the internal audit work plan.
- Discussing internal audit reports and the corrective measures taken by the management regarding those observations.
- Supervising the internal audit's work and following up the achievements made thereby.
- Appointing an independent external office to evaluate the internal audit.

#### **Internal Control Systems:**

- Appointing an external auditor to examine and evaluate the internal control systems. An independent auditor's office has been appointed to examine and evaluate the Company's internal control systems.

#### **External Auditor:**

- The Committee reviewed the services performed by the external auditors and reviewed and confirmed external auditors' independence and objectivity.
- The Committee met with the external auditors and discussed the nature and scope of the audit work they performed subject to the international auditing standards, international financial reporting standards and other regulatory requirements.
- The Committee has also discussed accounting policies with the external auditor.



**Nawaf Abdullah Al-Refae**  
**Chairman of the Committee**

## Report on the Company's Dealings with Related Parties

During Fiscal Year ending on 31/12/2022 AD

Shareholders of Mashaer Holding Company,

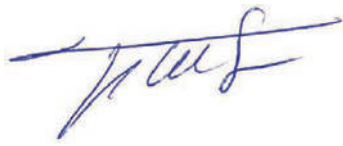
Praise be to Allah, Lord of the worlds, and prayers and peace be upon the most honorable of messengers Prophet Muhammad, may Allah bless him and grant him peace.

Mashaer Holding Company and its subsidiaries present to you a list of the related parties Mashaer dealt with during the fiscal year ending on 31/12/2022 AD, as below indicated:

- Marvel City Real Estate Investment Company.
- Hajar Tower Real Estate Company.
- Moden Real Estate Company Egypt.
- Meridian Sukuk customers.
- Aayan Leasing and Investment Company.
- Mashaer Al-Nakheel Real Estate Company.

Mashaer is still dealing with the above parties during current year 2023 AD.

Best Regards,



**Fahad Abdullah Al-Saleh**

**Chairman of the Board of Directors**

# Mashaer Holding Company K.S.C.P Governance Report

For the Fiscal Year Ending on 31 December 2022

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### Rule One

#### “Building a Balanced Structure for the Board of Directors”

##### • Brief on the formation of the Board of Directors:

Mashaer Holding Company's Board of Directors is characterized by the diversity of practical experiences and professional specializations among its members, as reflected in the performance and decisions of the Board members.

Name	Member Classification (executive / non-executive / independent) Secretary	Academic Qualification and Practical Experience	Date of Election / Secretary's Appointment
Fahad Abdullah Al-Saleh Chairman of the Board	Independent	Master of Business Administration 23 years of experience	22/06/2020
Haitham Tawfiq Al-Furaih Vice Chairman of the Board	Non-Executive	Master of Business Administration 19 years of experience	22/06/2020
Mansour Hamad Al-Mubarak Board Member	Non-Executive	Bachelor's Degree in Business Administration and Finance More than 33 years of experience	22/06/2020
Saleh Abdulaziz Al-Sarawi Board Member	Non-Executive	Bachelor's Degree in Business Administration, Information Systems 19 years of experience	22/06/2020
Nawaf Abdullah Al-Refae Board Member	Independent	Bachelor of Business Administration - Marketing 26 years of experience	22/06/2020
Abdulkadir Ben Suliman Al-Muhaidib Board Member	Independent	Master of Business Administration 11 years of experience	22/06/2020
Abdulaziz Zaid Al-Subaie Board Member & CEO	Executive	Bachelor's Degree in Finance - Financial Institutions 20 years of experience	22/06/2020
Ali Haroun Ibrahim	Secretary	Master of International Business Law 31 years of experience	23/06/2022

• **A Summary of the Company's Board Meetings Through the Following Statement:**  
**The Board's Meetings During 2022:**

Member Name	Meeting No. (1/22) Held on 22/02/2022	Meeting No. (2/22) Held on 22/02/2022	Meeting No. (3/22) Held on 13/03/2022	Meeting No. (4/22) Held on 12/05/2022	Meeting No. (5/22) Held on 12/05/2022	Meeting No. (6/22) Held on 29/06/2022	Meeting No. (7/22) Held on 11/08/2022	Meeting No. (8/22) Held on 11/08/2022	Meeting No. (9/22) Held on 10/11/2022	Meeting No. (10/22) Held on 10/11/2022	Meeting No. (11/22) Held on 14/12/2022	Meeting No. (12/22) Held on 26/12/2022	No. of Meetings
Fahad Abdullah Al-Saleh Chairman of the Board Independent	\	\	\	\	\	\	\	\	\	\	\	\	12
Haitham Tawfiq Al-Furaih Vice Chairman Non-Executive	\	\	\	\	\	\	\	\	\	\	\	\	12
Mansour Hamad Al-Mubarak Board Member Non-Executive	\	\	\	\	\	\	\	\	\	\	\	\	12
Saleh Abdulaziz Al-Sarawi Board Member Non-Executive	\	\	\	\	\	\	\	\	\	\	\	\	12
Abdulaziz Zaid Al-Subaie Board Member Executive	\	\	\	\	\	\	\	\	\	\	\	\	12
Nawaf Abdullah Al-Refae Board Member Independent	\	\	\	\	\	\	\	\	\	\	\	\	12
Abdulkadir Ben Suliman Al-Muhaidib Board Member Independent	\	\	\	\	\	\	\	\	\	\	\	\	12

- (/) Indicates the member's attending the meeting of the Board.
- The above table shall be included in all meetings of the Board of Directors held during the year.

• **Brief on the implementation of requirements pertaining to the registration, coordination and keeping of the Company's Board of Directors' minutes of meetings:**

In coordination with the Chairman of the Board of Directors, the Secretary shall prepare agendas and send invitations to members at least three days before the date of the meeting, along with providing them with all documents and data to be deliberated in the agenda of the meeting. Minutes of the meeting shall be recorded, including the Board members' discussions and the voting processes performed on the decisions of the Board, and shall be signed by the Secretary and all members present, having them numbered according to the date of its convening per year. The Secretary shall also keep the relevant documents and follow up the decisions of the Board of Directors in terms of their implementation. He shall also inform the Company's various departments and present to the Board of Directors in the following meetings what has been accomplished thereof. This is in addition to providing information to the members wishing to access it easily and conveniently, coordinating among the members of the Board and among the stakeholders.

• **Independent member's acknowledgment that he meets all independence controls, attaching a copy of the acknowledgment to the report.**

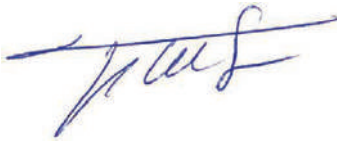
The independent members of the Board of Directors acknowledge their impartiality and not being affiliated with any party in a manner that lose their independence status. Attached to this report are copies of the independent members' acknowledgements for the term of the Board of Directors for the period 2020-2022.

### Acknowledgement

I, the undersigned Fahad Abdullah Eissa Al-Saleh, in my capacity as a nominated independent member of the Board of Directors of Mashaer Holding Company (K.S.C.P), declare hereby that I fulfill all the independence conditions stipulated in Article (3.2) of the Corporate Governance Part of the Executive Regulations of Law No. (07/2010) on the establishment of the Capital Markets Authority and the regulation of securities activity.

This is my acknowledgment of the same.

Signature: .....



Date: .....

### Acknowledgement

I, the undersigned Nawaf Abdullah Mahmoud Al-Refae, in my capacity as a nominated independent member of the Board of Directors of Mashaer Holding Company (K.S.C.P), declare hereby that I fulfill all the independence conditions stipulated in Article (3.2) of the Corporate Governance Part of the Executive Regulations of Law No. (07/2010) on the establishment of the Capital Markets Authority and the regulation of securities activity.

This is my acknowledgment of the same.

Signature: .....



Date: .....



### Acknowledgement

I, the undersigned Abdulkadir Ben Suliman Al-Muhaidib, in my capacity as a nominated independent member of the Board of Directors of Mashaer Holding Company (K.S.C.P), declare hereby that I fulfill all the independence conditions stipulated in Article (3.2) of the Corporate Governance Part of the Executive Regulations of Law No. (07/2010) on the establishment of the Capital Markets Authority and the regulation of securities activity.

This is my acknowledgment of the same.

Signature: .....



Date: .....

## Rule Two

### “Proper identification of Tasks and Responsibilities”

- Brief on the Company’s defining a policy of tasks, responsibilities, and duties of each of the members of the Board of Directors and the Executive Management, as well as powers and authorities delegated to the Executive Management:

#### Duties and Powers:

The Board of Directors has approved the Regulations of the Board that explain in detail all Board members’ tasks, powers and competencies. The Board has also approved the job descriptions for the members of the Board of Directors and the Executive Management, which clarify the separation of duties and powers between the members of the Board of Directors and the Executive Management in a way that guarantees the independence and full effectiveness of all parties. The Company adopts a regulation to define the powers of approving transactions and the main tasks of the Board of Directors including the following:

- Developing the Company’s goals, strategy, plans, policies, main business plans, the Company’s optimal capital structure, financial objectives and organizational and functional structures, with periodic review thereof.
- Approving annual estimated budgets and interim and annual financial statements.
- Developing a clear policy for distributing profits of all kinds (cash / in kind), achieving the interests of shareholders and the Company.
- Adopting performance objectives, monitoring implementation and overall performance in the Company.
- Overseeing the Company’s main capital expenditures, in addition to owning and disposing of shares and assets.

#### Board of Directors’ achievements during the year:

The Board of Directors has carried out several tasks during the year 2022. The following is a statement of its key achievements:

- Approval of the Company’s interim and annual financial statements.
- Reviewing and approving the recommendations issued by the Nominations, Remuneration, Audit and Risk committees.
- Reviewing and discussing reports prepared by the Executive Management.
- Ensuring Company’s compliance with laws and legislations related to its activities and following up on the application of regulatory authorities’ instructions.
- Discussing the risks facing the Company’s business.

- Studying investment opportunities to diversify the Company's sources of income.
- Taking the necessary steps to get rid of non-profit investments.

#### **Executive Management's duties and responsibilities:**

The Executive Management of the Company carries out a set of tasks, which can be summarized as follows:

- Implementation of the general strategy and detailed plans approved by the Board of Directors.
- Working to implement all internal policies, regulations and systems of the Company as approved by the Board of Directors.
- Developing an integrated accounting system that maintains books, records and accounts that reflect in detail and accurately, all financial data and income accounts, with a view to preserve the Company's assets.
- Putting in place an internal control and risk management systems, ensuring the effectiveness and adequacy of those systems, managing the daily work and conducting the activity, in addition to managing the Company's resources in an optimal manner, working to maximize profits and reduce expenses, in line with the Company's general objectives and strategy.
- Preparing periodic (financial and non-financial) reports on the development of the Company's activities in light of its strategic plans and objectives, presenting those reports to the Board of Directors.
- Preparing financial statements in accordance with the International Financial Reporting Standards approved by Kuwait Capital Markets Authority.
- Active participation in building and developing a culture of ethical values within the Company.

#### **Executive Management Achievements:**

During the year 2022, the Executive Management accomplished the following:

- Maintaining cash flow within the Company through cash flows management and follow up.
- Reducing operation and capital expenses.
- Coordinating with subsidiaries and associates to maintain cash flow and rationalize expenses.
- Commitment to pay the debts owed by the Company on time.

#### **• Brief on the implementation of requirements pertaining to the Board's formation of specialized independent committees, taking into account mentioning the following information about each committee:**

Pursuant to the provisions of Part 15 "Corporate Governance" of the Capital Markets Authority, the Board of Directors has formed each of the following committees: Audit Committee, Risk Management Committee and Nominations and Remunerations Committee.

### First: Audit Committee

Audit Committee works to establish a culture of compliance within the Company by ensuring the validity and integrity of financial reports, as well as ensuring the adequacy and effectiveness of the internal control systems applied in the Company. Audit Committee consists of three non-executive members including an independent member, and bears the main responsibility for reviewing periodic financial data prior to presenting them to the Board of Directors, and expressing an opinion and recommendation thereon. This is to ensure financial reports' fairness and transparency, for the purposes of the Board's delegation of the Committee's responsibilities, powers and tasks related to technical supervision of the Internal Audit Unit in the Company, so as to verify its effectiveness in carrying out the work and tasks entrusted thereto by the Board of Directors.

### Among Committee's Achievements:

- Reviewing the interim and annual financial data and reports before presenting them to the Board of Directors, expressing an opinion and recommendation thereon.
- Approving the annual Audit Committee report.
- Adopting and approving the internal audit action plan.
- Evaluating the entity carrying out internal and external auditing.
- Discussing the internal audit reports and corrective measures adopted by the management in terms of those observations.
- Supervising the work of the internal audit and following up their achievements.
- Appointing an independent auditor to prepare the internal control report.
- Recommending to the Board of Directors to appoint and re-appoint the auditor after ensuring his independence and determining his fees.
- Ensuring the Company's compliance with relevant laws, policies, systems and instructions.

The Audit Committee was reconfigured on 12/08/2020 and its validity is linked to the term of the current board and the number of committee members, who are the following (3) members:

• Mr.Nawaf Abdullah Al-Refae	<b>Chairman of the Committee</b>
• Mr.Haitham Tawfiq Al-Furaih	<b>Member</b>
• Mr.Saleh Abdulaziz Al-Sarawi	<b>Member</b>
• Mr.Ahmad Bader Al-Aslawi	<b>Secretary</b>

The Committee held (10) meetings.

## Second: Risk Management Committee

Risk Management Committee consists of three non-executive members and bears the main responsibility for developing effective internal control systems that oversee the financial statements' integrity and insures the efficiency of the Company's business. This is in addition to assessing the extent of compliance with the various controls, where the Board of Directors entrusts the Committee with responsibilities powers and tasks related to identifying, evaluating and monitoring all risks the company is exposed to developing solutions thereto, in line with the Company's objectives, with a view to avoid the occurrence of risks.

### Among the Committee's Achievements:

- Re-appointing a specialized risk management consultation company.
- Approving the risk plan and submitting it to the Board of Directors for approval.
- Submitting periodic reports to the Board of Directors on the nature of risks the Company is exposed to.
- Recommending the adoption of work policies for the Company's departments.

Risk Management Committee was formed on 12/08/2020 and its validity is linked to the term of the current board and the number of committee members, who are the following (3) members:

• Mr.Saleh Abdulaziz Al-Sarawi	<b>Chairman of the Committee</b>
• Mr.Nawaf Abdullah Al-Refae	<b>Member</b>
• Mr.Haitham Tawfiq Al-Furaih	<b>Member</b>
• Mr.Ahmad Bader Al-Aslawi	<b>Secretary</b>

The Committee held (5) meetings.

## Third: Nominations and Remunerations Committee:

The Board of Directors has formed a Nomination and Remuneration Committee consisting of three members, including an independent member, and its chairman is a non-executive member of the Board of Directors. This Committee is responsible for preparing recommendations related to nominations for the memberships of the Board and Executive Management, as well as submitting recommendations for policies and regulations governing the granting of compensation and bonuses.

### Among the Committee's Achievements:

- The Committee ensured the existence of the independence status of the independent Board member.
- The Committee prepared the Governance Report that included remunerations, salaries and benefits granted to members of the Board of Directors and Executive Management for the fiscal year ending on 31 December 2021.
- The Committee approved appropriate training programs for each of the Board of Directors and the Executive Management members.

The Nominations and Remuneration Committee was formed on 06/08/2020 and its validity is linked to the term of the current board and the number of committee members, who are the following (3) members:

• <b>Mr.Fahad Abdullah Al-Saleh</b>	<b>Chairman of the Committee</b>
• <b>Mr.Mansour Hamad Al-Mubarak</b>	<b>Member</b>
• <b>Mr.Abdulaziz Zaid Al-Subaie</b>	<b>Member</b>
• <b>Ms.Shereen Abdelrahman Al-Abdallah</b>	<b>Secretary</b>

The Committee held (2) meetings.

- **Brief on the implementation of requirements pertaining to allowing members of the Board of Directors to obtain accurate and timely information and data.**

The Secretary, in coordination with the Chairman of the Board of Directors, shall provide the members of the Board of Directors with any information requested thereby, which enables them to carry out their duties and tasks efficiently and effectively.

### Rule Three

#### **“Selecting Persons Qualified for Membership of the Board of Directors and Executive Management”**

- **Brief on the implementation of requirements pertaining to formation of the Nominations and Remunerations Committee:**

Nominations and Remunerations Committee works to complete the requirements set thereby by developing a clear policy for the remuneration of the Board of Directors and the Executive Management defining the different segments of remunerations that shall be granted to the employees, conducting periodic (annual) review of that policy and evaluating its effectiveness in achieving the desired goals.

- **Preparing a report on the remunerations granted to members of the Board of Directors, Executive Management and managers, so as to include the following information as a minimum:**

#### **1. Brief on the Company’s Remuneration and Incentive Policy, particularly with regard to members of the Board of Directors, Executive Management and managers.**

At the Company’s General Assembly, the Chairman of the Board of Directors shall read a report on all transactions conducted with the employees of the Executive Management and members of the Board of Directors, including the remunerations granted thereto. The Company’s General Assembly shall ratify and approve all transactions and remunerations granted to the members of the Board of Directors and the Executive Management.

## 2. The following two statements shall be included

### Board Members Remuneration and Bonuses

Total Number of Members	Remuneration and Bonuses through the Mother Company			Remuneration and Bonuses through Subsidiaries			
	Fixed Remuneration and Bonuses (KD)	Variable Remuneration and Bonuses (KD)		Fixed Remuneration and Bonuses (KD)	Variable Remuneration and Bonuses (KD)		
	Health Insurance	Annual Bonus	Committee Bonus	Health Insurance	Monthly salaries (total during the year)	Annual Bonus	Committee Bonus
7	None	40,000	13,500	None	None	14,000	None

### Total bonuses and benefits granted to five senior executives who received the highest bonuses, in addition to the Chief Executive Officer and Chief Financial Officer or their representatives if they are not included

Total No. of Executive Positions	Remuneration and Bonuses through the Mother Company							Remuneration and Bonuses through Subsidiaries							
	Fixed Remuneration and Bonuses (KD)						Variable Remuneration and Bonuses (KD)	Fixed Remuneration and Bonuses (KD)						Variable Remuneration and Bonuses (KD)	
	Monthly salaries (total during the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children Education Allowance	Annual Bonus	Monthly salaries (total during the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children Education Allowance	Annual Bonus	
6	239,610	6,256	30,500	-	16,200	7,680	-	-	-	-	-	-	-	-	-

**3. Any material deviations from the remuneration policy approved by the Board of Directors:**

None.

**Rule Four  
“Ensuring Financial Reports’ Integrity”**

- **Written undertakings by both the Board of Directors and the Executive Management regarding the validity and integrity of the prepared financial reports:**

Mashaer Holding Company is keen on the validity and integrity of the financial data before its shareholders regulatory authorities, etc., as both the Financial Department and Executive Management shall sign.

- **Written pledges of their validity and integrity, to be submitted to the Board of Directors, who, in turn, shall approve them and pledge their integrity to the General Assembly.**



**Governance Report****31 December 2022****Guarantee of Financial Reports Integrity**

I, the undersigned Anwar UI-Haq Abdul-Haq, in my capacity as Senior Manager of the Financial Department, Mashaer Holding Company (KSC - Public), acknowledge and undertake hereby the accuracy and integrity of the Company's consolidated financial statements, which were provided to the current External Auditor. I also acknowledge that the company's financial reports have been presented properly and fairly, in accordance with the International Financial Reporting Standards applied in the State of Kuwait and as approved by Kuwait Capital Markets Authority, and that they reflect the financial position of the Company as on 31 December 2022.



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**Anwar UI-Haq Abdul-Haq****Senior Manager - Financial Department**

**Governance Report****31 December 2022****Guarantee of Financial Reports Integrity**

I, the undersigned Abdulaziz Zaid Al-Subaie, Chief Executive Officer and member of the Board of Directors, Mashaer Holding Company (KSC - Public), acknowledge and undertake hereby the accuracy and integrity of the Company's consolidated financial statements, which were provided to the current External Auditor. I also acknowledge that the company's financial reports have been presented properly and fairly, in accordance with the International Financial Reporting Standards applied in the State of Kuwait and as approved by Kuwait Capital Markets Authority, and that they reflect the financial position of the Company as on 31 December 2022.



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**Abdulaziz Zaid Al-Subaie**  
**CEO and Board Member**

**Governance Report****31 December 2022****Guarantee of Financial Reports Integrity**

I, Chairman and members of the Board of Directors of Mashaer Holding Company (KSC - Public) acknowledge and undertake hereby the accuracy and integrity of the Company's consolidated financial statements, which were provided to the current External auditor . I also acknowledge that the company's financial reports have been presented properly and fairly, in accordance with the International Financial Reporting Standards applied in the State of Kuwait and as approved by Kuwait Capital Markets Authority and that they reflect the financial position of the Company as on 31 December 2022.

	<b>Member Name</b>	<b>Position</b>	<b>Sign</b>
1	Fahad Abdullah Al-Saleh	Chairman Independent	
2	Haitham Tawfiq Al-Furaih	Vice-Chairman Non-Executive	
3	Abdulaziz Zaid Al-Subaie	Member Executive	
4	Mansour Hamad Al-Mubarak	Member Non-Executive	
5	Nawaf Abdullah Al-Refae	Member Independent	
6	Saleh Abdulaziz Al-Sarawi	Member Non-Executive	
7	Abdulkadir Ben Suliman Al-Muhaidib	Member Independent	

## Rule Five

### “Development of Sound Internal Control and Risk Management Systems”

- **Brief on the implementation of requirements pertaining to the formation of an independent risk management department/office/unit:**

An independent risk management unit has been established under the Risk Management Committee where its tasks were assigned to a specialized consulting company to continuously study, measure and follow up all types of risks to which the Company is exposed, submitting its periodic reports to the Risk Management Committee to limit their occurrence.

- **Brief on the implementation of requirements pertaining to the formation of the Risk Management Committee:**

Risk Management Committee aims to assist the Board of Directors in supervising matters related to current and future activity risks, where the Committee has evaluated systems and mechanisms for measuring the various risks that the Company is exposed to in its various activities by reviewing periodic reports issued by the specialized consulting company, submitting its recommendations to the Board of Directors for the corrective measures required for approval and adopting mechanisms to avoid the occurrence of risks.

- **Brief on explaining the internal control and supervision systems:**

The Company is governed by internal control and supervision systems covering all its activities, working to preserve the integrity of its financial position and accuracy of data, through the existence of approved organizational structures based on the principle of separation of duties and preventing conflicts of interest. The Company also has in place work policies and procedures guides that clearly define tasks and responsibilities. Also, the Company has entrusted an independent audit office to examine and evaluate the internal control systems for all its departments.

- **Brief on the implementation of requirements pertaining to the formation of an independent internal audit department/office/unit:**

An internal audit unit has been established, directly affiliated with the Audit Committee, where its tasks were assigned to an independent specialized consulting company, based on the recommendation of the Audit Committee of the Board of Directors to appoint it to carry out internal audit work on the Company's departments according to the approved plan. The internal audit unit shall submit its reports to the Committee, which shall meet with the internal auditor periodically. The Committee shall submit its recommendations to the Board of Directors for approval of the required corrective action.

### Rule Six

#### “Promoting Professional Behavior and Ethical Values”

• **Brief on the Code of Conduct that includes standards and determinants of professional behavior and ethical values:**

The Code of Conduct has been updated within the Company to enhance the culture of professional behavior and institutional and ethical values, by setting major guidelines that represent the Company's policies in accordance with the rules of governance. The Code of Conduct aims to enhance honest ethical behavior that reflects positively on the Company, maintaining an institutional climate that keeps the value and integrity of each individual and providing an appropriate and effective work environment under the umbrella of governance rules, in addition to ensuring compliance with laws, rules and regulations that govern the activities and operations of the Company and the proper use of its assets. The Code of Conduct also works to develop team spirit and consolidate employees' loyalty to the Company in a way that retains experienced and efficient employees. Code-relevant standards include rules and ethics of behavior and explain how managers, officials or employees dealing with stakeholders in the Company or the public dealing therewith. The Code of Conduct also include all standards that the members of the Board, the Executive Management and the Company's employees shall adhere to in order to achieve the interest of the Company, its shareholders and stakeholders.

Our commitment to applying that conduct helps us to take the proper decisions, where our policies are based on the following principles:

- **Respect:** Our respect for society and the environment in which we work, our commitment to all legislations and dealing with others with the highest professional and ethical standards.
- **Financial integrity and honesty:** Our commitment to the Company's financial statements that reflect its assets, liabilities and financial position with utmost accuracy, clarity and transparency.
- **Diversity and equal opportunities:** Our interest in encouraging a culture of mutual respect for different opinions and our encouraging the attraction of qualified people to join us without any discrimination or bias.
- **Health and Safety:** Our guarantee to provide a safe work environment for our employees and our community, free from causes of accidents and diseases.

• **Brief on the policies and mechanisms for reducing conflicts of interest:**

Within the framework of the Board of Directors' keenness on the honesty, integrity and transparency of shareholders' interests, avoiding actual conflicts of interest in personal and professional relations between them, the Company has adopted a conflict-of-interest policy and is reviewing the policy of dealings with related parties, in line with the nature of the Company's business and regulatory developments in the markets. The Company adopts a general policy for reporting any violations or abuses, which grants the Company's employees the availability of reporting their complaints regarding any improper practice through the application of appropriate mechanisms that allow investigating such matters, while ensuring whistleblower's protection to avoid any negative reaction or any harm thereto due to his report.

**Rule Seven**

**"Disclosure and Transparency in an Accurate and Timely Manner"**

• **Brief on the application of accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:**

In compliance with the Disclosure and Transparency Policy approved by the Board of Directors to enhance the mechanisms of accurate disclosure of all material matters related to the Company's performance and its financial position, the concerned departments and the Compliance and Anti-Money Laundering Department shall verify that the Company has disclosed all material information it is legally obligated to disclose at Kuwait Stock Exchange and the Capital Markets Authority, in addition to raising disclosures through the Company's website.

• **Brief on the implementation of requirements pertaining to the members of the Board of Directors Executive Management and managers' disclosure record:**

The Company adheres to the rules of governance with regard to the disclosure record of the members of the Board of Directors, Executive Management and managers. In this regard, it has prepared their record of disclosures through the Investors Affairs Unit, making that record available for access by all shareholders of the Company. Investors Affairs Unit is keen to update the data of this record periodically so as to reflect real status of related parties.

• **Brief on the implementation of requirements pertaining to the formation of the Investors Affairs Regulatory Unit:**

The organizational structure includes a unit for organizing investor affairs, concerned with providing the necessary data, information and reports to prospective investors, through the usual means of disclosure including the Company's website.

• **Brief on the implementation of requirements pertaining to the development of information technology infrastructure and to rely heavily thereon in the disclosure processes:**

Investors Affairs Unit has established a page on the Company's website, "Investor Relations", for providing information and data about the Company and various reports that the Company's shareholders economists, and current or prospective investors may need.

### **Rule Eighth**

#### **"Respect for Shareholders' Rights"**

• **Brief on the implementation of requirements pertaining to defining and protecting shareholders' general rights, in order to ensure justice and equality among all shareholders:**

The Company is committed to its responsibilities towards its shareholders, adopting corporate governance standards as it believes that the proper application of corporate governance enhances the confidence of its shareholders and other entities. The Company treats all shareholders equally and without discrimination. Also, it does not, in any way, prevent any information or right of the shareholders. Rather, the Company adopts a special policy to protect their rights, indicating the role of both the Board of Directors and the Executive Management in protecting shareholders' rights and ensuring that all shareholders enjoy the same voting rights and the same treatment and that they have access to all information related to voting. This is in addition to granting them the opportunity to discuss with the Board of Directors and inquire therefrom about any tasks or actions undertaken by the Board.

• **Brief on establishing a special register to be kept with KCC, as part of the requirements for continuous follow-up of shareholder data:**

The Company has contracted with Kuwait Clearing Company (KCC) to undertake the role of keeping shareholders' records, nationalities and the number of shares owned by each of them, whereby the Company's shareholders are allowed to view their shareholding record. Data contained in the aforementioned record shall be dealt with in accordance with the utmost levels of protection and confidentiality.

As for the strategic shareholders and beneficiaries, they shall disclose to the Boursa Kuwait, CMA and the Company regarding any amendment to their shares.

• **Brief on how to encourage shareholders to participate and vote in the Company's assemblies:**

The Company follows a set of procedures that allow shareholders to participate, discuss and vote in the Company's ordinary and extraordinary assemblies, as follows:

N.	Procedure	Tool
1	Publication of four (4) periodical invitations to attend the General Assembly.	Press ads
2	General assembly dates shall be announced on Boursa Kuwait website.	Boursa Kuwait website
3	General assembly dates shall be announced on the Company's website.	Company's website
4	Direct communication with the shareholders to confirm attendance and provide them with the necessary data related to those meetings.	Phone Calls



### Rule Nine

#### “Realizing Stakeholders’ Role”

• **Brief on the systems and policies that guarantee the protection and recognition of stakeholders’ rights:**

The Company has adopted a policy and internal regulations to protect stakeholders’ rights in all its internal and external transactions in accordance with the laws and instructions issued by the relevant regulatory authorities. The said policy has determined the parties whose interests conflict with the Company, as well as the roles and responsibilities the members of the Board and the Executive Management are committed to within the framework of that policy. The policy has also clarified the role played by the Compliance and Anti-Money Laundering Department in the Company in verifying the adequacy of the relevant systems and mechanisms and their ability to detect cases of conflict. That policy also clarified the role played by the Secretary of the Board of Directors in coordination with the Internal Audit Unit towards the responsibility of following up on the implementation of the Conflict-of-Interest Policy, in addition to explaining how to disclose conflicts of interest and verify their existence. The Secretary shall also keep a record of conflict of interest cases.

• **Brief on how to encourage stakeholders to participate in following up on the Company’s various activities:**

The Company follows a set of procedures that allow stakeholders to follow up on the Company’s various activities, through press releases and news published on its website and official accounts on social media.

### Rule Ten

#### “Performance Enhancement and Improvement”

• **Brief on the implementation of requirements pertaining to developing mechanisms that allow each members of the Board of Directors and Executive Management to obtain training programs and courses on an ongoing basis:**

Through its strategic plan, the Company is keen to continuously train the members of the Board of Directors and the Executive Management in programs and workshops, in order to achieve the desired goals thereof towards the Company and in line with the requirements of the Capital Markets Authority so as to consolidate their knowledge of the latest developments in the relevant administrative and economic fields. For that end, the Company has organized a training course entitled “Key Updates in the CMA Instructions” for the members of the Board of Directors and the Executive Management to promote these goals.

**Brief on how to evaluate the performance of the Board of Directors as a whole and the performance of each member of the Board of Directors and the Executive Management:**

The Company has developed mechanisms for evaluating the members of the Board of Directors and the Executive Management by developing a set of objective performance indicators related to the extent to which the Company’s strategic objectives are achieved.

• **Brief on the value creation efforts exerted by the Board of Directors among the employees of the Company, through achieving strategic goals and improving performance rates:**

The Company adopts policies and procedures that contribute to achieving the strategic goals and enhancing the institutional values of employees, thus contributing to maintaining the financial integrity of the Company.

**Rule Eleven**

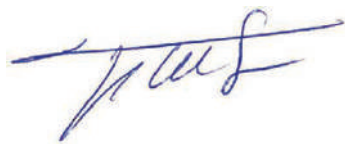
**“Focusing on the Importance of Social Responsibility”**

**Brief on developing a policy that ensures achieving a balance between each of the Company's goals and the goals of society:**

Stemming from the Company's belief in the importance of its role in society, the Board of Directors has adopted a policy of social responsibility, as Mashaer Company has undertaken several initiatives that aim to achieve a balance between its objectives and those that the community seeks to achieve. The Company has undertaken its role towards society. For example, it provided gifts and donations to the Committee to spread knowledge about Islam, to work to increase religious awareness of the new converts and to ensure their harmony with the community.

**Brief on the programs and mechanisms used that help highlighting the Company's efforts in the field of social work:**

The Company has adopted field visit programs for several entities representing different segments of society. The Company, for example, has undertaken field visits to the nursing home and orphanage, as well as to the Committee for spreading knowledge about Islam, out of belief in the importance of its role towards society, enhancing the impact on these segments of society.



**Fahad Abdullah Al-Saleh**

**Chairman of Board of Directors**