



بيت الأوراق المالية
THE SECURITIES HOUSE

**Report of the Audit Committee on the Evaluation of Internal
Control Systems
For the financial year ended 31 December 2024**

1. Introduction

The company carries out its activities under the Companies Law No. 1 of 2016 and its subsequent amendments and its Executive Bylaws in accordance with the principles of Islamic Sharia, and is subject to the supervision of the Capital Markets Authority in accordance with Resolution No. 72 of 2015 regarding the issuance of the Executive Bylaws of Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its amendments.

The Company's authorized and paid-up capital is KD 40,000,000 divided into 400,000,000 shares, with a nominal value of 100 fils per share.

1.1 Activities

The company carries out the following activities:

1. Investment Portfolio Manager
2. Collective Investment Scheme Manager
3. Investment Advisor
4. Broker not registered on the stock exchange
5. Underwriting Agent
6. Buying and selling shares for the company's account
7. Purchase and Sale of Land and Real Estate
8. Management and Development of Land and Real Estate
9. Design, Construction, Operation, Maintenance, and Transfer of Projects under the PPP Model

1.2 Organization

The Board of Directors of the Company shall assume all the necessary powers and authorities to manage it, and the Board of Directors of the Company has delegated to the executive management, headed by the Chief Executive Officer, some powers and authorities commensurate with the size of the responsibilities entrusted to them. The company consists of two main sectors – the investment sector and the operations sector.

1.3 Board of Directors

The Board of Directors develops and approves the Company's long-term business strategy and plans, approves the internal control systems and ensures their effectiveness, ensures the Company's compliance with the approved strategy, policies and procedures adopted in accordance with the laws and regulations issued, supervises the executive management that is responsible for the day-to-day operations of the Company, and ensures that all risks are properly managed.

The Board of Directors is ultimately responsible for the Company's operations and the integrity of its financial position, meeting the requirements of the Capital Markets Authority in Kuwait, protecting the interests of shareholders, protecting the rights of minority, creditors, investors, customers, employees and other interested parties, and ensuring that the Company is managed in a prudent manner and in accordance with applicable laws, regulations, policies and internal procedures.

The board held (8) meetings during 2024, and consist of five members as follows:

Name	Post	Membership classification
Abdullatif Mohammed Al-Shaya	Chairman of the Board of Directors	independent
Yousef Ibrahim Al-Ghanim	Vice Chairman	Executive
Altaf Abdullah Al-Ghanim	Board Member	Non-Executive
Musaed Adnan Al-Ajeel	Board Member	independent
Meshal A KH Al Wazzan	Board Member	independent

1.4 Executive Management

The Board of Directors has delegated responsibility for the Company's management and overall performance, including all day-to-day operations and administrative affairs of the Company, to Mr. Yousef Ibrahim Alghanim, Chief Executive Officer of the Company. The Chief Executive Officer's core responsibilities include, but are not limited to, the following:

- Develop, implement and monitor the strategic and financial plans of the company with the Board.
- Foster a culture that encourages transparency, honesty, teamwork and social responsibility.

- Ensure the continuous development, implementation and follow-up of the company's risk management and internal control frameworks.
- Ensure that the Board is provided with accurate, clear, relevant and timely information to support effective decision-making by the Board.
- Ensure that the Board of Directors is informed of all matters affecting the Company.
- Managing the Company in accordance with the policies, budget, corporate plan, and strategy approved by the Board of Directors, and taking decisions, in accordance with the limits stipulated in the table of delegation of powers.

2. Screening Criteria

We conducted the evaluation according to the criteria outlined in the book "Internal Control – Integrated Framework" ("Framework") issued by the Committee of Sponsoring Institutions of the Treadway Commission (COSO). According to the framework, internal control is: "a process implemented by an organization's board of directors, general management, and other staff to provide assurance that operational objectives, reporting and compliance are met."

2.1 Target Categories

The framework provides three categories of objectives, enabling organizations to focus on separate aspects of internal control:

- **Operations objectives** – relate to the effectiveness and efficiency of an organization's operations, including operational performance objectives, financial performance and asset loss protection.
- **Reporting Objectives** – These relate to internal and external financial and non-financial reporting, and may include reliability, timeliness, transparency and other requirements set by regulators, standard-setters or enterprise policies.
- **Compliance objectives** – relate to compliance with the laws and regulations to which the organization is subject.

2.2 Elements and principles of internal control

The framework provides for five elements of internal control and seventeen principles representing the core concepts and standards associated with these elements, as follows:

1. Control environment

A set of standards, processes and structures that provide a basis for the implementation of internal control throughout an organization. The Board of Directors and senior management determine the importance of internal control and standards of expected conduct at senior levels of the organization.

There are five principles related to the control environment:

1. The organization demonstrates a commitment to integrity and ethical values.
2. The Board of Directors should show independence from management and supervise the development and performance of internal control.
3. Management shall, under the supervision of the Board of Directors, determine appropriate structures, powers and responsibilities in pursuit of objectives.
4. The organization demonstrates a commitment to attract, develop and retain competent employees in line with its objectives.
5. The organization should hold employees accountable for their internal control responsibilities in pursuit of its objectives.

2. Risk assessment

Risk assessment involves a dynamic and iterative process of identifying and analyzing risks to the achievement of an organization's objectives, and serves as a basis for determining how these risks should be managed. Management examines potential changes in the external environment and within its business model that could limit its ability to achieve its goals.

There are four principles related to risk assessment:

1. The organization should define objectives with sufficient clarity to make it possible to identify and assess risks related to the objectives.
2. The organization should identify risks that threaten the achievement of its objectives throughout the organization, and analyze these risks as a basis for determining how these risks should be managed.

3. The institution should take into account the potential for administrative corruption when assessing the risks that threaten the achievement of objectives.
4. Identify and evaluate changes that are likely to significantly affect the internal control system.

3. Control activities

Actions defined by policies and procedures to help ensure the implementation of management directives to reduce risks to the achievement of objectives. Control activities are carried out at all levels of the organization at different stages within the operations and in the technology environment.

There are three principles relating to oversight activities:

1. The organization selects and develops control activities that contribute to reducing risks that threaten the achievement of objectives to an acceptable degree.
2. The organization selects public oversight activities on technologies and their development to support the achievement of its objectives.
3. The institution should disseminate oversight activities through policies that define expectations and procedures for implementing these policies.

4. Information & Contact

Information is essential for the organization to carry out its internal control responsibilities in support of achieving its objectives, and communication occurs at the internal and external levels and provides the organization with the information it needs to implement day-to-day controls. Communication enables employees to understand internal oversight responsibilities and their importance to achieving objectives.

There are three principles related to information and communication:

1. The organization obtains or creates and uses useful information to support the work of internal control.
2. The organization transfers information internally, including internal control objectives and responsibilities necessary to support the work of internal control.
3. The Organization shall communicate with external parties regarding matters affecting the work of internal control.

5. Follow-up activities

Continuous and/or separate evaluations are used to ensure the existence and functioning of each of the five elements of internal control, including the application of the principles contained in each element. Results are evaluated and deficiencies reported in a timely manner and serious issues are reported to senior management and the Board of Directors.

There are two principles related to follow-up activities:

1. The organization selects, develops and performs ongoing and/or separate evaluations to ensure that internal controls are in place.
2. The organization assesses internal control deficiencies and communicates them in a timely manner to parties responsible for corrective action, including senior management and the Board of Directors, as appropriate.

2.3 Deficiencies in internal control

The framework recognizes that while an effective internal control system provides reasonable assurance of achieving the organization's objectives, it has innate deficiencies, as even an effective internal control system can fail, and these shortcomings may result from:

- Adequacy of objectives identified as a prerequisite for internal control.
- The fact that humans are valued when making decisions may be wrong and prone to bias.
- Disruptions that can occur due to human failure via unintentional errors.
- The ability of management to bypass internal control.
- The ability of management, other employees and/or other third parties to circumvent controls through complicity.
- External events over which the Foundation has no control.

These deficiencies exclude that the Board and Management have obtained absolute assurance that the organization's objectives have been achieved, i.e. internal control provides reasonable but not absolute assurance.

6. Evaluation results

Based on the evaluation carried out by the Audit Committee on the internal control systems applied in the company, including its review of the internal audit reports related to the internal control systems during the year, and the evaluation report of the internal control systems for the previous year, the committee did not notice any exceptions that would materially affect the achievement of the company's objectives, and the internal control systems applied are working effectively, and we would like to emphasize that the evaluation of internal control systems does not guarantee the discovery of all irregularities and non-conformities and must be considered It is also a substitute for the responsibilities usually assigned to management in monitoring and evaluation.



Musaed Adnan Al-Ajeel
Chairman of the Committee



Meshal A KH Al Wazzan
Vice-Chairman of the
Committee



Altaf Abdullah Al-Ghanim
Committee Member

Date: 27 January 2025