

ALAFCO Aviation Lease and Finance Company K.S.C.P

Annual Report on Corporate Governance to be read in the General Assembly Meeting of Shareholders

30 September 2022

This report aims to lay out the status of ALAFCO Aviation Lease and Finance Company K.S.C.P (ALAFCO) against the principles of Corporate Governance as mentioned in Book 15 of the Executive Regulations issued by the Capital Markets Authority Kuwait (CMA). The structure of this report is based on the guidelines issued by the CMA.

Rule 1 – Construct a balanced board composition.

a. Board of Directors

The board, including the Chairman, comprises of the following members:

Sr. No	Name	Classification of member	Educational qualification and practical experience	Date of Election
1	Sami Abdulatif Alnusif (<i>Chairman</i>)	Chairman	<ul style="list-style-type: none">Currently Deputy Editor-in-Chief of Al-Nahar newspaper.Former Minister of Information and Communications.Former Chairman and Managing Director of Kuwait Airways Corporation.Chairman of the safety and training committees in the Air Transport Association of the League of Arab States.	13 February 2022
2	Abdullah Sulaiman Alhaddad (<i>Vice Chairman</i>)	Vice Chairman	<ul style="list-style-type: none">Abdullah Al Haddad has been with KFH group for over 12.He joined KFH Capital in 2015 as the Chief Investment Banking Officer to oversee the functions of Debt Capital Market and Equity Capital Market.Holds board membership of several portfolio companies of KFH Capital.Abdullah holds a Bachelor's degree in Accounting & Auditing from Kuwait University.	13 February 2022
3	Tariq Adel Alasousi	Independent Director	<ul style="list-style-type: none">Tariq Adel. AlAsousi, Mechanical engineer graduate from Saint Martin's college in USA, with 19 years working experience in Oil & Gas, Aviation, Airlines Industry, and Transport business.Specialized in leasing of Transportation Assets, Aircraft Marketing, Tendering, Negotiations, and Contract development.Worked for Lotus Air as Commercial Planning & Projects Manager and in AerCap aviation leasing as a Senior Commercial Manager.	13 February 2022
4	Mohammad Hamad Alhajeri	Independent Director	<ul style="list-style-type: none">Chief Executive Officer at Innovation Tech, Responsible for overall company strategy and Setup expansion plans.Independent Board Member of Al Salam International Hospital.Master of Business Administration from American University of Middle East (AUM)	13 February 2022
5	Fahad Abdul Razzaq Al Nisf (<i>Representing General Trading and Contracting Company</i>)	Non-executive Director	<ul style="list-style-type: none">11 years of experience in the investment sector.Board member in various reputed organizations.Master's Degree in Business Administration from Denver University, USA.	13 February 2022
6	Khalifa Abdullah Alrashid (<i>Representing Gulf Investment Corporation</i>)	Non-executive Director	<ul style="list-style-type: none">Khalifa Al-Rashid holds the position of a Director, Head of GCC Debt Capital Markets Desk at Gulf Investment Corporation (GIC) since 2016 overseeing the company's GCC bonds and Sukuk portfolios.Over 18 years of experience mainly in investment and bankingAl-Rashid is a well-rounded investment veteran with a track record in managing mutual funds and institutional client mandates.Al-Rashid Holds an MBA, General and Strategic Management, from Kuwait Maastricht business school in addition to a Bachelor Degree in Accounting, with High Honors, from Kuwait University.	13 February 2022

7	Ahmad Abdulaziz Alnafisi (<i>Representing KFH</i>)	Non-executive Director	<ul style="list-style-type: none"> ▪ Over 15 years of experience in financial services experience, specializing in the investment and private equity space. ▪ Has worked with leading Investment firms across Kuwait and is currently working for Kuwait Capital Investment Company within private equity and direct investment. ▪ He brings valuable experience in sourcing, structuring and valuation of investment opportunities and has represented several leading investment firms across the GCC in his capacity as Board Member. ▪ Bachelor's degree in International Business from Gulf University for Science and Technology (GUST). 	13 February 2022
8	Ahmad Abdullah Alzabin (<i>Chairman</i>)	Ex-Chairman	<ul style="list-style-type: none"> ▪ Over 40 years of experience in the aviation industry including 27 years in Kuwait Airways. ▪ Ranked as "top business leader" of the Arab World in 2012 by Forbes ▪ Aeronautical engineering from AST Scotland. 	2 January 2019 13 Feb 2022 (End of Term AGM)
9	Barrak Abdulmohsen Barrak Al-Sabeeh (<i>Vice Chairman</i>)	Independent Director	<ul style="list-style-type: none"> ▪ Over 30 years of experience in aviation, Telecom and industrial activities. ▪ Experience in leadership roles in both the private and public sector. ▪ Board member / Chairman in various reputed organizations. ▪ Bachelor's in industrial engineering North Carolina A&T State University, USA. 	2 January 2019 13 Feb 2022 (End of Term AGM)
10	Abdulwahab Essa Alroshood (<i>Representing KFH</i>)	Non-executive Director	<ul style="list-style-type: none"> ▪ Over 27 years of experience in conventional and Islamic banks ▪ Board member / Chairman in various reputed organizations ▪ Bachelor's in mathematics and computer science from Western Oregon State College, USA. 	2 January 2019 13 Feb 2022 (End of Term AGM)
11	Sulaiman Al-Mudaf	Board Secretary	<ul style="list-style-type: none"> ▪ Over 5 years of experience in the investment sector. ▪ Over 8 years of experience in the aviation market. ▪ Bachelor degree in Accounting from Portland State University, USA. ▪ Served as the Management Direct Investment Secretary in Kuwait Finance House for more than 2 years. 	13 February 2022

Note: The total Board of Directors of ALAFCO comprises of seven existing members.

b. Board Meetings

During the financial year 2021/2022 the board met 19 times. The following table provides details of board meetings:

Member name	Meeting No. 1 held on 23 Nov 2021	Meeting No. 2 held on 14 Dec 2021	Meeting No. 3 held on 28 Dec 2021*	Meeting No. 4 held on 29 Dec 2021*	Meeting No. 5 held on 13 Jan 2022*	Meeting No. 6 held on 8 Feb 2022	Meeting No. 7 held on 23 Feb 2022	Meeting No. 8 held on 17 Mar 2022
Sami Abdulatif Alnusif	NA	NA	NA	NA	NA	NA	[✓]	[✓]
Abdullah Sulaiman Alhaddad	NA	NA	NA	NA	NA	NA	[✓]	[✓]
Tariq Adel Alasousi	NA	NA	NA	NA	NA	NA	[✓]	[✓]
Mohammad Hamad Alhajeri	NA	NA	NA	NA	NA	NA	[✓]	[X]
Fahad Abdul Razzaq Al Nisf	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Khalifa Abdullah Alrashid	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Ahmad Abdulaziz Alnafisi	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Ahmad Abdullah Alzabin **	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	End of Term AGM	NA
Barrak Abdulmohsen Al-Sabeeh **	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	End of Term AGM	NA
Abdulwahab Essa Alroshood **	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	End of Term AGM	NA

Member name	Meeting No. 9 held on 27 Mar 2022	Meeting No. 10 held on 24 Apr 2022*	Meeting No. 11 held on 15 May 2022	Meeting No. 12 held on 23 May 2022	Meeting No. 13 held on 29 May 2022*	Meeting No. 14 held on 7 Jun 2022*	Meeting No. 15 held on 3 Jul 2022	Meeting No. 16 held on 3 Aug 2022*
Sami Abdulatif Alnusif	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Abdullah Sulaiman Alhaddad	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Tariq Adel Alasousi	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Mohammad Hamad Alhajeri	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Fahad Abdul Razzaq Al Nisf	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Khalifa Abdullah Alrashid	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Ahmad Abdulaziz Alnafisi	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]	[✓]
Ahmad Abdullah Alzabin **	NA	NA	NA	NA	NA	NA	NA	NA
Barrak Abdulmohsen Al-Sabeeh **	NA	NA	NA	NA	NA	NA	NA	NA
Abdulwahab Essa Alroshood **	NA	NA	NA	NA	NA	NA	NA	NA

Member name	Meeting No. 17 held on 11 Aug 2022	Meeting No. 18 held on 28 Aug 2022*	Meeting No. 19 held on 22 Sep 2022
Sami Abdulatif Alnusif	[✓]	[✓]	[✓]
Abdullah Sulaiman Alhaddad	[✓]	[✓]	[✓]
Tariq Adel Alasousi	[✓]	[✓]	[✓]
Mohammad Hamad Alhajeri	[✓]	[✓]	[✓]
Fahad Abdul Razzaq Al Nisf	[✓]	[✓]	[X]
Khalifa Abdullah Alrashid	[✓]	[✓]	[✓]
Ahmad Abdulaziz Alnafisi	[✓]	[✓]	[✓]
Ahmad Abdullah Alzabin **	NA	NA	NA
Barrak Abdulmohsen Al-Sabeeh **	NA	NA	NA
Abdulwahab Essa Alroshood **	NA	NA	NA

*Meeting by circulation

** Mr. Alzabin, Mr. Alsabeeh and Mr. Alroshood was not re-elected to continue for the new term, dated 13 Feb 2022.

c. Conveying board meetings and preparation of minutes of board meetings

The board has appointed a board secretary from within the ALAFCO employees and defined his responsibilities in accordance with regulatory requirements and best practice.

An agenda for a Board meeting is prepared and circulated to all members at least 3 working days before the meeting, along with appropriate supporting documents. The Board adopts the agenda when the meeting is convened and in the event of any objection from any member on the agenda, the same is documented in the minutes of meeting.

The minutes of the meetings are well documented, including all discussions, deliberations and the voting process. Any board member objecting to any of the resolutions passed by the Board can request to register his objection in the minutes.

The minutes are circulated to the entire Board and are signed by all attending board members along with the board secretary in the next board meeting. Also, each page of the board minute is initialed by every attending board member along with the board secretary.

Minutes can also be approved by circulation wherever necessary, which shall be ratified in the next meeting. The minutes of meetings are adequately safeguarded.

d. Acknowledgment by the independent member that the controls of independence are met, and a copy of the declaration is attached to the Arabic report as per regulatory requirements.

Rule 2 – Establish appropriate roles and responsibilities

a. Authority and responsibility of the board and executive management

The authority and responsibility of the board and executive management have been well defined within the control framework and processes of ALAFCO. There is in place a board approved authority matrix and department policies and procedures. Also, terms of reference of the board, board committees, and management committees are formally documented. Independent member also provides an acknowledgment that the controls of independence in organization are in place.

b. Achievements of the board of directors and management during the year

Following are some of the key business achievements during the year:

- a. The company has released two A320 Aircraft to **Ultra Air** for a lease term of 6 years which are returned from Interglobal Aviation Limited upon the lease expiry.
- b. The company signed the lease agreement with **Italia Trasporto Aereo S.P.A** to lease 4 A350 aircraft for a lease term of 12 years. The company has already delivered 4 A350 aircraft to ITA.
- c. The company has sold 2 used and off-lease A320-200 aircraft to Med Sky at a price of USD 14.5 million each and generated a net gain of KD 2.4 million.
- d. Successfully raised a total financing of USD 138 million.

c. Board Committees

ALAFCO has formed board level committees and formally defined their responsibilities, duration and authorities.

The following board level committees have been formed:

Committee Name	Date of Formation	Composition	Key Responsibilities	Number of Meetings During the year
Audit Committee	13 February 2022	<ul style="list-style-type: none"> ▪ Abdullah Sulaiman Alhaddad -Chairman. ▪ Khalifa Abdullah Alrashid -Vice Chairman. ▪ Mohammad Hamad Alhajeri -Member. 	Oversight of board responsibilities relating to the integrity of financial statements, appropriateness of policies and procedures, performance of the external auditors and internal auditor and other internal control related activities.	7
Risk, Governance and Compliance Committee	13 February 2022	<ul style="list-style-type: none"> ▪ Fahad Abdul Razzaq Al Nisf -Chairman. ▪ Tariq Adel Alasousi -Vice Chairman. ▪ Ahmad Abdulaziz Alnafisi -Member. 	Oversight of Risk Management, Compliance and Corporate Governance related matters.	7
Nomination and Remuneration Committee	13 February 2022	<ul style="list-style-type: none"> ▪ Sami Abdulatif Alnusif -Chairman. ▪ Fahad Abdul Razzaq Al Nisf -Vice Chairman. ▪ Ahmad Abdulaziz Alnafisi -Member. ▪ Mohammad Hamad Alhajeri -Member. 	Formulate a process and make recommendations to the board on nominations, appointment, and removal of directors. Implement remuneration policies for board members and executive management.	3
Divestment Steering Committee	13 May 2022	<ul style="list-style-type: none"> ▪ Abdullah Sulaiman Alhaddad -Chairman. ▪ Fahad Abdul Razzaq Al Nisf - Member. ▪ Ahmad Abdulaziz Alnafisi -Member. ▪ Mohammad Hamad Alhajeri -Member. 	Review and make decisions on matters related to selling assets.	8

d. Information provided to board members

It is ensured that the board members and the members of board committees have full access to all information on a timely basis. Prior to board meetings and meetings of board committees, all relevant supporting documentation is shared with the board members on a timely basis. Also, the Board Secretary and the Head of Risk and Compliance are mandated to assist the board in obtaining any information they require.

Rule 3 – Recruit highly qualified candidates for board of directors and executive management

a. Nomination and Remuneration Committee

There is a board approved policy on nomination, remuneration and incentives. Also, there are in place controls and processes to ensure appropriate disclosures are made in this regard.

ALAFCO has formulated a Nomination and Remuneration Committee in line with the requirements of the Capital Markets Authority. The Committee consists of three members and the Chairman is an independent non-executive director.

The Nomination and Remuneration Committee is comprised of the following members:

Name	Description	Notes
Sami Abdulatif Alnusif	Committee Chairman	-
Fahad Abdul Razzaq Al Nisf	Committee Vice Chairman	-
Ahmad Abdulaziz Alnafisi	Committee member	-
Mohammad Hamad Alhajeri	Committee member	-

Annual Report on overall Remuneration

ALAFCO follows a structured and transparent process for incentives and remunerations. Principles of remuneration for the board and management are based on regulatory requirements and a board approved remuneration policy and performance management system.

In line with the requirements of Rule 3 of Book 15 of Executive Regulations on Corporate Governance, the following table includes details of remuneration granted to board members and executive management:

Board Members/ Executive Management Remuneration:

Position	Remunerations, salaries, incentives and other financial benefits (Through parent company and subsidiaries)	Total remunerations, salaries, incentives and other financial benefits (Kuwaiti Dinar)
Members of Board of Directors		
7 Members	Variable remunerations (annual remunerations, committees' remunerations), fixed benefits (health insurance).	[*]
Executive Management		
5 Members	Remuneration and fixed benefits (salary, health insurance), variable remuneration (annual remuneration).	[*]

Rule 4 – Safeguard the integrity of financial reporting

In line with the requirements of Book 15 – Corporate Governance of the Executive Regulations issued by the CMA, the following paragraphs include the undertakings of the Board and Executive Management:

a. Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

As stipulated under Chapter 5 of book 15 of the Executive Regulations on Corporate Governance, we, as executive management hereby certify that:

- 1) We have prepared the financial statements and the cash flow statement for the year ended 30 September 2022 and that to the best of our knowledge and belief:
 - (a) These do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) These statements together present a true and fair view of the Company's affairs and are in compliance with International Accounting Standards as approved by the CMA, and applicable laws and regulations.
- 2) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 30 September 2022 which are fraudulent, illegal or are in violation of the Company's code of conduct.
- 3) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- 4) We have indicated to the Auditors and the Audit Committee:
 - (a) Significant changes, if any, in internal control over financial reporting during the year;
 - (b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (c) Instances of significant frauds of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Chief Executive Officer

Chief Financial Officer

b. Board of Directors Undertaking on Soundness of the Financial Statements

As stipulated under Chapter 5 of book 15 of the Executive Regulations on Corporate Governance, we the Board of Directors collectively hereby state that:

- 1) The financial statements and the cash flow statement for the year ended 30 September 2022, to the best of our knowledge and belief prepared and provided to you:
 - (a) do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) together present a true and fair view of the Company's affairs and are in compliance with International Accounting Standards as approved by the CMA, and applicable laws and regulations.

- 2) We have indicated to the Auditors:
 - (a) significant changes, if any, in internal control over financial reporting during the year;
 - (b) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements. And
 - (c) instances of significant frauds, if any, of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Board of Directors

c. Formation of Audit Committee

In line with the requirements of the CMA as mentioned in Book 15 of the Executive Regulations on Corporate Governance, the board of directors of ALAFCO have formed an Audit Committee (AC). The AC assists the board in performing their duties as prescribed in Book 15 of the Executive Regulations.

The AC members have comprehensive experience in the fields of accounting, finance and internal controls and it works on:

- a. Strengthening the culture of commitment within the company through ensuring the soundness and integrity of the financial statements;
- b. Ensuring adequacy and effectiveness of the internal control systems that are implemented in the company; and
- c. Ensuring that policies and procedures of the company are appropriate, monitoring performance of external auditor and monitoring performance of internal auditor.

Authorities and responsibilities of the AC have been formally documented in their terms of reference. Moreover, the AC is provided with all information and explanations that assist them in performing their tasks.

The AC is comprised of the following members:

Name	Description	Notes
Abdullah Sulaiman Alhaddad	Committee Chairman	-
Khalifa Abdullah Alrashid	Committee Vice Chairman	-
Mohammad Hamad Alhajeri	Committee member	-

There have not been any instances where the resolutions of the board of directors contradict with the recommendations of the AC. Also, the external auditor of ALAFCO is neutral and independent.

d. Formation of Divestment Steering Committee

In line with the internal requirements of ALAFCO, the board of directors of ALAFCO have formed a Divestment Steering Committee (“DSC”).

The DSC is authorized by the board in fulfilling its responsibility with respect to review and decide on activities related to sale of assets.

The DSC’s responsibilities include:

- Oversight of the entire process of execution related to sale of assets and making relevant decisions for successful execution of relevant transactions.
- Decide on appointment of external service providers to assist with relevant transactions. This includes appointment of external legal counsels and financial advisors.
- Discuss relevant transactions and other relevant details with potential bidder(s).
- Regularly reviewing status of the transaction from time to time.

Authorities and responsibilities of the DSC have been formally documented in their terms of reference.

The DSC is comprised of the following members:

Name	Description	Notes
Abdullah Sulaiman Alhaddad	Committee Chairman	-
Fahad Abdul Razzaq Al Nisf	Committee member	-
Ahmad Abdulaziz Alnafisi	Committee member	-
Mohammad Hamad Alhajeri	Committee member	-

Rule 5 – Apply sound systems of Risk Management and Internal Control

The board acknowledges its overall responsibility for ALAFCO’s system of internal controls and Risk Management, while the role of executive management is to implement board approved policies on the same.

Consequently, ALAFCO has implemented internal control and risk management systems designed to facilitate effective and efficient operations of ALAFCO. These systems are aimed at enabling ALAFCO to respond appropriately to significant risks that may arise during the course of its business activities.

The board of directors of ALAFCO have formed a Risk, Governance and Compliance Committee (RGCC). The RGCC assists the board in performing their duties relating to Risk Management, Corporate Governance and Compliance.

The RGCC is comprised of the following members:

Name	Description	Notes
Fahad Abdul Razzaq Al Nisf	Committee Chairman	-
Tariq Adel Alasousi	Committee Vice Chairman	-
Ahmad Abdulaziz Alnafisi	Committee member	-

An independent Risk Management & Compliance Department (RCD) has been formed that reports directly to the RGCC and has unrestricted access to the Chairman of the RGCC along with all RGCC members. RCD is responsible for assisting the board and RGCC in implementation of the risk management framework within ALAFCO.

The Risk Management Framework of ALAFCO is governed under a three lines of defense model, where the mandate of Risk Management is documented in a formal Risk Policy. Moreover, ALAFCO has also developed a Risk Appetite Statement (RAS) that is approved by the board of directors.

ALAFCO has outsourced its internal audit to a reputed external office (KPMG). The internal controls and overall control framework of the company are regularly reviewed by internal audit and its internal audit reports are submitted to the AC. The Internal Auditor reports directly to the AC.

Rule 6 – Promote professional conduct and ethical standards

a. Code of Conduct

ALAFCO is committed to establish a framework for professional conduct, fairness, honesty and developing ethical values inside the Company. The aim is to enhance the investor's trust in the integrity of the company and its financial soundness. As a part of this commitment the Board has laid down a code of ethics and professional conduct for the board and executive management for promoting sound corporate practices and ethical conduct to protect long term interest of stakeholders.

The code of ethics and professional conduct is intended as a practical guide designed to assist the members of board and executive management of the company in carrying out their work. The principles and values found in the code are an integral part of the rigorous commitment the company strives to make, to sustain its corporate image and public trust.

b. Conflict of interest

Conflict of interest is the conflict between the private interests and official responsibilities of an individual or an institution in a position of trust, which may compromise impartiality or integrity or lead to unfair competitive advantage. A conflict of interest exists when an Employee's duty to give undivided business loyalty to the company can be prejudiced by actual or potential personal benefit from another source.

In addition to the code of ethics and professional conduct, the board has also formulated a conflict of interest policy. The conflict of interest policy lays out policy statements, procedures and best practices to manage conflict of interest situations.

c. Related party transaction framework

The company has in place a related party transaction framework. Also, the company has adopted the recent changes prescribed by CMA in relation to related party transactions via its amendments in CMA regulations.

Rule 7 – Ensure timely and high-quality disclosures

a. Disclosure and Transparency

There is in place a policy to ensure that timely and accurate disclosure is made on all material matters regarding the company, including the financial situation, performance and governance of the company to the stakeholders that will enable them to understand its governance, strategy, policies, activities, practices and facilitate evaluation of its performance.

The disclosure and transparency policy along with various processes within ALAFCO ensure that all relevant information is disclosed in a transparent manner to all stakeholders. There is in place a mechanism by which all relevant information of board members and the executive management is identified and disclosed.

For the purpose of effective and timely disclosure, the company adopts various mechanisms, including use of ALAFCO website, direct disclosure to the regulatory authorities and the use of Investors Affairs unit.

b. Investor Affairs

ALAFCO has established an investors affairs unit (IAU) which is responsible for making available all relevant information and reports to existing and prospective investors. The IAU is reasonably independent and strives to provide timely and accurate information on various platforms (including the company's website) to its desired users in an unbiased manner.

c. Use of IT infrastructure

ALAFCO understands and appreciates the importance of the use of IT infrastructure in the compilation and disclosure of critical information. Consequently, there are multiple automated systems in place to record and present financial and non-financial information.

The website of the company is also utilized for sharing relevant financial and non-financial information with all stakeholders.

Rule 8 – Respecting shareholder rights

ALAFCO strives to ensure fair and equitable treatment of all of its shareholders and making sure that all relevant information is shared in a timely and equitable manner.

For the purpose, the board has formulated a shareholder policy that outlines its policy statements and processes to ensure timely access to information about the company, including its financial performance, strategic goals and plans, material developments, corporate governance and risk profile, in order to enable Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community at large to engage actively with the company. Also, shareholders are encouraged to actively participate in shareholder meetings.

Shareholders' rights include (but not limited to) the following:

- Right to receive dividend distribution.
- Right to receive part of company's assets in case of liquidation in accordance with the provisions of Company law.
- Right to receive approved information and/or data related to the company's activities and its operational and investment strategies on a timely basis.
- Right to participate in the general assembly meetings of the shareholders and to vote in accordance with applicable rights, laws and regulations.
- Right to vote during the election of membership to the Board of Directors.
- Right to monitor the company's performance in general and the Board of Directors specifically.
- Right to hold the Board members and the Executive management of the Company accountable within the stated parameters of Company law.
- Right to record the value of shares owned.
- Right to register, move or transfer the ownership of shares
- Right to review the Shareholders Register and verify that data is maintained according to highest degrees of protection.

The investor affairs unit maintains a Shareholder Register (through the Kuwait Clearing Company) that includes all available information on ALAFCO shareholders.

Rule 9 – Recognize the role of the stakeholders

Stakeholders are individuals or groups that have interests in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies. The primary stakeholders in a typical corporation are its investors, employees, customers, financiers and suppliers. The expectations of the stakeholders are sometimes divergent and at times in conflict with each other and it's the responsibility of the Company to strike a balance between the interests of its stakeholders and its self-interests.

ALAFCO is committed to the highest ethical standards and it desires its stakeholders to have strong faith and commitment towards it. For the purpose, there is in place a comprehensive stakeholder policy and stakeholder management framework.

Stakeholders are encouraged to actively engage with ALAFCO at all applicable platforms. For instance, ALAFCO customers, financiers, regulators, employees interact with each other on a regular basis by way of electronic channels and conferences to make sure their interests are aligned, and any grievances are identified and duly remedied.

Rule 10 – Encourage and enhance performance

a. Orientations, trainings and continued professional development

The continuous training and professional development for members of the board of directors and executive management is one of the cornerstones of sound corporate governance.

For the purpose, the board of directors are provided with orientation and board packs that include substantial information about the company and its activities. Also, there is in place a mechanism for on-going development of board members.

Similarly, there are processes in place to ensure that sufficient resources are utilized on the training and professional development of executive management.

b. Performance evaluation of the board and executive management

The board has defined job descriptions and key performance indicators (KPI's) for the board, individual board members and the executive management. There are processes in place to ensure that on an annual basis, their performance is evaluated against a structured and well-defined criterion.

c. Value creation

The board and executive management strive to create and enhance value of ALAFCO shareholders and stakeholders.

Progress of the key performance indicators is regularly monitored by management and thoroughly discussed internally.

Rule 11 – Focus on importance of corporate social responsibility

The concept of social responsibility is the continuous commitment of the Company through ethical behavior, to achieve sustainable development for society in general and its employees in particular.

This is achieved by initiatives to improve the living conditions of the workforce, their families and the community, by making contributions to decrease unemployment in society as well as minimizing exploitation of available environmental resources.

ALAFCO has in place a comprehensive corporate social responsibility policy (CSR) that includes matters related to having in place a strong CSR framework.

Appendix 1: ALAFCO updated organization chart

ALAFCO Aviation Lease & Finance Company K.S.C.P.
Organizational Structure

