



Annual Report of the Internal Shari'ah Supervision Committee of Mawarid Finance PJSC

Issued on: 26/02/2023

To: Shareholders of Mawarid Finance PJSC (“the Company”)

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards (“the Regulatory Requirements”), the Internal Shari'ah Supervision Committee of the Company (“ISSC”) presents to you the ISSC's Annual Report for the financial year ending on 31 December 2022 (“Financial Year”).

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

- a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Company; and the Company's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders (“Company's Activities”) and issue Shari'ah resolutions in this regard, and
- b. determine Shari'ah parameters necessary for the Company's Activities, and the Company's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority (“HSA”) to ascertain compliance of the Company with Islamic Shari'ah.

The senior management is responsible for compliance of the Company with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA (“Compliance with Islamic Shari'ah”) in all Company's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Companies (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Company's Activities without exception.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC undertook Shari'ah supervision of the Institution's Activities through review of those Activities, and monitoring through division or internal section of internal Shari'ah control, Shari'ah audit and (if applicable) external Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. Works of the ISSC included the following:

- a. Convening (4) meetings during the year.
- b. Providing fatwas, opinions and resolutions on matters presented to the ISSC in relation to the Institution's Activities.
- c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
- d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders with parameters set by the ISSC.
- e. Supervision through division or section of internal Shari'ah Control, Shari'ah Audit, and (if applicable) external Shari'ah Audit, of the Institution's Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- f. Providing direction to relevant parties of the Institution to rectify (where possible) findings cited in the reports submitted by division or section of the internal Shari'ah control, Shari'ah audit, and/or (if applicable) external Shari'ah audit, and issuance of resolutions to set aside revenue derived from transactions in which non-compliance were identified to be disposed towards charitable purposes.
- g. Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future.
- h. Specifying the amount of Zakat due on each of the Institution's share⁽¹⁾.
- i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning compliance of the Institution with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Company. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

(1) Due to the difference in deadlines for submitting reports between the Sharia report and the financial report, Zakat calculation will be announced at the AGM.



5. The ISSC's Opinion on the Shari'ah Compliance Status of the Company

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Company's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The committee asserts that the use of any document, agreement, contract or engagement in any investment or activities must first be approved by the committee in order to ensure that it is in compliance with Shari'ah and this is as mentioned in the Memorandum and Articles of Association of the Company;

The Committee emphasizes the importance of commitment to Sharia guidelines regarding its investments in subsidiary and Affiliates in which Mawarid Finance holds the majority share

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Blessings and peace be upon the Prophet Muhammad, his family and the companions and we end by praising Allah Lord of the worlds.

Signatures of members of the Internal Shari'ah Supervision Committee of the Institution

**Sheikh Dr. Nizam Mohammed
Saleh Yaqoubi**

Chairman

**Sheikh Prof. Muhammad
Abdul Rahim Sultan Al Olama**

Vice Chairman

**Sheikh Dr. Ahmed
AbdulAziz AlHaddad**

Member