
Coast Investment & Development Company (K.S.C.P.)
Asset Management Department
Internal Audit Report – Final

October 2025

تمت الموافقة في اجتماع مجلس الإدارة
العائلي لعام ٢٠٢٥ بتاريخ ٣/١١/٢٠٢٥

EXECUTIVE SUMMARY

Background

As part of the Internal Audit Services provided to Coast Investment & Development Company (K.S.C.P), hereinafter referred to as “Coast” or “the company”, RSM Albazie Consulting W.L.L. (RSM) performed an internal audit review during July to September 2025 over the Asset Management Department for the period from 1 July 2024 to 30 June 2025.

This report was prepared for use by the Board of Directors, Audit Committee, and management. Recommendations for improvement are presented for management’s consideration, and management is responsible for the effective implementation of corrective action plans.

Objective of internal audit review

The objective of this review was to obtain an understanding of and evaluating the Control Environment at Coast pertaining to Asset Management Department processes, to ensure the adequacy and effectiveness of the key internal controls affecting the department’s processes and identify opportunities for control and process improvements.

The following areas were included in the scope:

- Existence and compliance with policies and procedures, authority matrix, job descriptions, and related management guidelines.
- The existence and effectiveness of internal controls in addressing significant risks.
- Evaluation of employees’ performance on a periodical basis as per the criteria outlined and approved by the management.
- Ensure that the department business plan is implemented and followed.
- Ensure that the top management is provided with all the necessary information about the department.
- Process to determine the investment decision/policy for managing discretionary portfolios and funds.
- Compliance with CMA regulations as per Book 7,8 and 13 for portfolio and fund management.

- The existence of dealing room procedures and confidentiality of information is restricted.
- Periodic reconciliation of internal records with Broker statements, dealer allocation statements and KCC/Custodian statements.
- Procedures in place to ensure compliance with applicable regulatory authorities.
- Process to provide the required information to senior management to control the activities on a timely basis.

Scope and limitations of our work

The formation of our observations is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee. Our work is subject to inherent limitations, as detailed below:

- The internal audit has not reviewed all risks and assurances relating to the organization.
- The work is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management.
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being bypassed or a reduction in compliance.

The factors considered which might influence our conclusions are:

- Inherent risk in the area being audited.
- Limitations in the individual audit assignments.
- The adequacy and effectiveness of the risk management and governance control framework.
- The impact of weakness identified.
- The level of risk exposure; and
- The response to management actions raised and timeliness of actions taken.

DEPARTMENT OVERVIEW

Size of the Team

The department is headed by Senior Vice President - Asset Management & Operations assisted by Vice President - Asset Management & Derivatives and Assistant Vice President who is responsible for Company Fund and Senior Trader for Client & Company Portfolios.

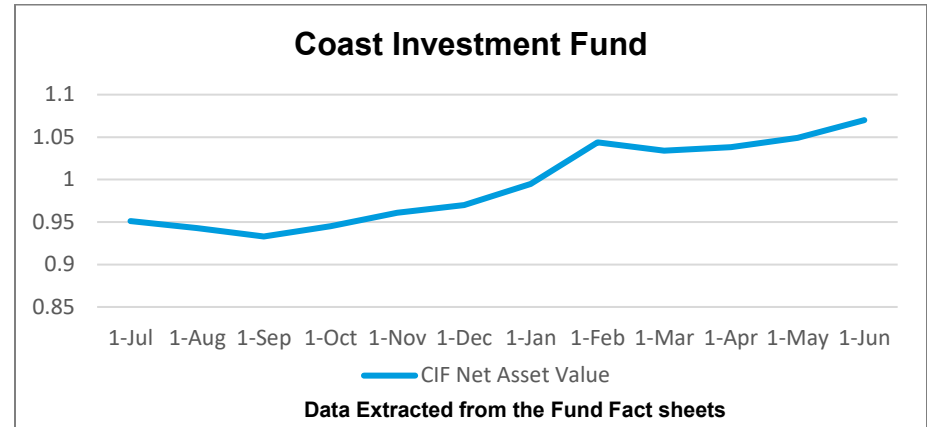
Main Responsibilities and Activities of the Department

The Department is responsible for dealing in Coast Investment Fund and Portfolios through the following activities:

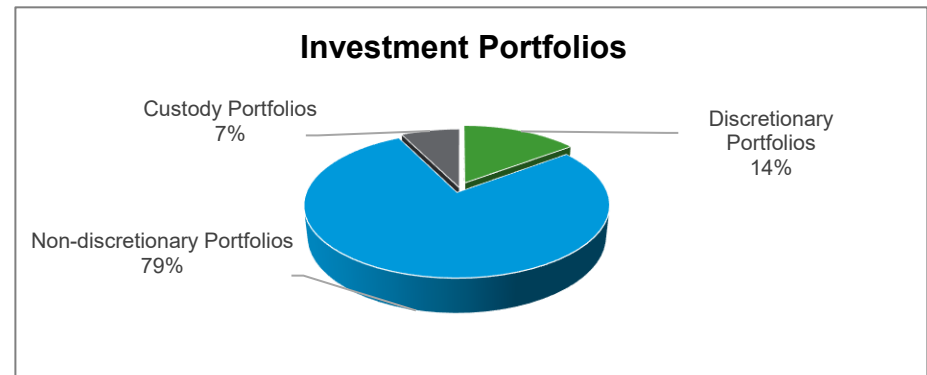
- Managing fund portfolios as per the Fund Administrative Committee recommendation to maximize the unit holder's wealth.
- Ensuring compliance with Article of Association, policies and procedures manual and CMA regulations.
- Executing deals of clients' portfolios as per the term portfolio agreements.
- Maintaining a logbook of dealing through the day.
- Preparing reconciliation of deals executed with deal allocation statements.
- Ensuring compliance with policies and procedures, CMA and Boursa Kuwait rules and regulations.

Statistics

- The following chart depicts the Net Asset Value for Coast Investment Fund during July 2024 and June 2025.



This chart depicts the categories of Investment portfolios managed by Coast Investment and Development Company



Overall Summary/Highlights

Testing resulted in the identification of **two (2) observations** (2 rated as “**Moderate**”). Based on this, an overall report rating of ‘**Marginal**’ was assigned to help management understand our assessment of the overall design and operating effectiveness of the company.

The observations, recommendations, and Coast’s management responses to address each are described in the Detailed Observation section of this report.

A summary of the Observations noted during the review is noted in the table below:

Overall Rating (See Appendices A&B for definitions)				
	Report Rating	# Of Observations by Risk Rating		
		High	Moderate	Low
Current Audit	Marginal	-	2	-
Prior Audit	Marginal	-	2	-

EXECUTIVE SUMMARY (CONTINUED)

Ratings and conclusions

Following is a summary of observations noted in the areas reviewed. Definitions of the rating scales are included in the Appendices.

Ratings by Observation		
Observations	Rating	Effort
1. Lack of Strategy Implementation Monitoring While certain initiatives have been initiated under the 2025–2029 strategy, there is limited evidence of structured monitoring or periodic reporting to track progress against the defined objectives and targets.	Moderate	Moderate
2. Missing Regulatory Clauses in Investment Portfolios Policy Article (5-4-1) of CMA Module Seven (Clients' Funds and Assets) outlines requirements for investment portfolios, including: <ul style="list-style-type: none"> Clause 4 of First: Aspects related to all forms of investment portfolios – Ensure client requests do not compromise the company's authorized purposes. We noted that the Investment Portfolios policy does not address the above aspects, resulting in incomplete coverage of the CMA regulatory requirements.	Moderate	Low

EXECUTIVE SUMMARY (CONTINUED)

Status of prior audit observations

#	Prior Audit Observation	Rating	Status	Previous Management response	Follow-up Results	Current Management response
1.	Fees and Commission As per better practices, website should reflect the current fees and commissions for E-Trading. We noted that the website is not updated with the current fees and commissions.	Moderate	In-Process	We are in process to update our website with the new fees & commission rates. Target Date: Q4 2024	We noted that there are still instances where the policy mentions a rate, but this is not mentioned on the website and vice versa.	We are in process to update our policies and procedure with the new fees & commission rates Target Date: Q4 2025
2.	Job Descriptions Having job descriptions (JDs) for non-occupied positions is crucial as it ensures readiness for future hiring, maintains clarity of role expectations, and aids in strategic workforce planning when the positions are filled. We noticed that: <ul style="list-style-type: none"> The job descriptions are not available for VP- Client portfolio. The job descriptions are not available for the unoccupied positions in the Department. Additionally, the Senior Financial Broker was promoted to the position of E-Trade Supervisor, yet his job description has not been documented. 	Moderate	Complete	We are under process to update the required. Target Date: Q3 2024	Job description of the Supervisor – E-Trade was verified. As agreed with the Audit Committee in 2025, this observation will be closed as the organization structure is prepared with a future vision and the job descriptions for the vacant positions will be updated once needed.	-

DETAILED OBSERVATIONS

1- Lack of Strategy Implementation Monitoring	Risk Rating: Moderate	Effort Rating: Moderate
COSO Framework Components: Monitoring		
<p>The company’s strategy for 2025–2029, approved on 13/11/2024, sets out specific activities and expected outcomes for Fund Management, Portfolio Management, and E-Trade, which are expected to be achieved progressively within the strategic period.</p> <p>While certain initiatives have been initiated under the 2025–2029 strategy, there is limited evidence of structured monitoring or periodic reporting to track progress against the defined objectives and targets.</p>		
Implication		
<p>Failure to progress and monitor the strategy may result in unachieved objectives, missed opportunities, and reduced accountability.</p>		
Recommendation		
<p>Implement regular monitoring and reporting of the strategy with defined action plans, responsibilities, and timelines to ensure progress, and require management to provide justification and explanations for any underachievement against planned targets.</p>		
Management’s Action Plan		
We are planning to implement annual monitoring and reporting of the strategy.	Responsible Party: SVP Asset Management Group & SVP Support Group	Target Date: Q1 2026

2- Missing Regulatory Clauses in Investment Portfolios Policy	Risk Rating: Moderate	Effort Rating: Low
COSO Framework Components: Control Activities		
<p>Article (5-4-1) of CMA Module Seven (Clients' Funds and Assets) outlines requirements for investment portfolios, including:</p> <ul style="list-style-type: none"> Clause 4 of First: Aspects related to all forms of investment portfolios – Fulfilling Clients' requests without compromising the authorized purposes of the Licensed Person. For example, Investment Portfolio managers who work pursuant to Islamic Sharia shall not invest a Clients' money in Securities which do not meet the Islamic Sharia requirements even if this was the Client's request or order. <p>We noted that the Investment Portfolios policy does not address the above aspects, resulting in incomplete coverage of the CMA regulatory requirements.</p>		
Implication		
Incomplete coverage of CMA requirements in the Investment Portfolios policy exposes the company to regulatory non-compliance, fines, and reputational risk.		
Recommendation		
Update the Investment Portfolios policy to incorporate all CMA requirements, including authorized purpose safeguards, methods for variation and distribution, and bases and controls for securities distributions.		
Management's Action Plan		
We will amend the policy to include that the client requests will be fulfilled only as long as they do not compromise the authorized purpose of the company.	Responsible Party: Asset Management Department	Target Date: Q4, 2025

APPENDIX A – RATING DEFINITIONS

Observation Risk Rating Definitions		Effort Rating Definitions		
Rating	Definition	Rating	Impact	Effort
Low	Process improvements exist but are not an immediate priority for the Company. Taking advantage of these opportunities would be considered best practice for the Company.	Low	The recommended change, if implemented, would: <ul style="list-style-type: none"> Impact only one location Improve efficiency 	Level of effort to address improvement opportunity meets the following criteria: <ul style="list-style-type: none"> Completion in < 3 months Requires change to no more than two manual processes Only local/department resources needed
Moderate	Process improvement opportunities exist to help the Company meet or improve its goals, meet or improve its internal control structure and further protect its brand or public perception. This opportunity should be considered in the near term.	Moderate	Opportunity meets the criteria for “Low” impact, and additionally meets one or more of the following criteria: <ul style="list-style-type: none"> Change affects a business segment Generates cost reduction Enhances availability of data used to make business decisions 	Level of effort to address improvement opportunity meets the below criteria: <ul style="list-style-type: none"> Completion in 3 to 12 months Requires modification to current system application set up Cross-functional resources
High	Significant process improvement opportunities exist to help the Company meet or improve its goals, meet or improve its internal control structure and further protect its brand or public perception presents. This opportunity should be addressed immediately.	High	Improvement opportunity meets the criteria for “Low” and “Moderate” impact, and additionally meets one or more of the following criteria: <ul style="list-style-type: none"> Change affects the entire organization Cost reduction and improved efficiency Improves operating effectiveness of upstream/downstream processes, including those involving third parties 	Level of effort to address improvement opportunity meets the below criteria: <ul style="list-style-type: none"> Completion requires more than 12 months Requires new system or module or significant programming change to existing system Entity-wide resources

APPENDIX B – REPORT RATING DEFINITIONS

Report Rating Definitions	
Rating	Explanation
Satisfactory	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low-risk observations identified or moderate observations that are not pervasive in nature.
Marginal	Certain internal controls are either: <ul style="list-style-type: none"> Not in place or are not operating effectively, which in the aggregate represents a significant lack of control in one or more of the areas within the scope of the review. Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses that collectively are not pervasive.
Unsatisfactory	Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist that have the potential to create situations that could significantly impact the control environment. <ul style="list-style-type: none"> Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed. Significant non-compliance with laws and regulations. High observations that are pervasive in nature.
Not Rated	Opportunity to improve efficiency or profitability of operations but does not indicate an internal control weakness or a material inefficiency.

APPENDIX C – COSO PRINCIPLES

I. The COSO Framework sets out the following 17 principles (summarized):

Control Environment	<ul style="list-style-type: none"> • Demonstrates commitment to integrity and ethical values • Exercises oversight responsibilities • Establishes structure, authority and responsibility • Demonstrates commitment to competence • Enforces accountability
Risk Assessment	<ul style="list-style-type: none"> • Specifies suitable objectives • Identifies and analyzes risk • Assesses fraud risk • Identifies and analyzes significant change
Control Activities	<ul style="list-style-type: none"> • Selects and develops control activities • Selects and develops general controls over technology • Deploys through policies and procedures
Information & Communication	<ul style="list-style-type: none"> • Uses relevant information • Communicates internally • Communicates externally
Monitoring	<ul style="list-style-type: none"> • Conducts ongoing and/or separate evaluations • Evaluates and communicates deficiencies

APPENDIX D – REPORT DISTRIBUTION LIST

For each observation noted previously in this report, a responsible person and target date was identified as a means to assign responsibility for the agreed-upon resolution. It is management's responsibility to verify that action plans are carried out and observations are adequately addressed.

Report Distribution List

Name	Title
Mr. Abdul Wahab Mohammad Ali Al Wazzan	Chairman - Audit Committee
Mr. Ayad Al Sumait	Audit Committee Member
Mr. Osama Al Ayoub	Audit Committee Member
Mr. Asaad Ahmad A. Al-Banwan	Chief Executive Officer
Mr. Jassem Al-Zaid	Senior Vice President – Asset Management Group
Mr. Waseem Mardini	Supervisor – E-trade Department
Mr. Fares Halal Madi	Senior Vice President – Compliance & Legal Affairs Group
Ms. Geethu Jacob	Internal Audit Officer

We appreciate the cooperation and assistance from all involved with this review.



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