

البنك الأهلي المتحد



ahli united bank

Corporate Governance Manual

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2015



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Introduction

The Board, Senior Management and all employees of Ahli United Bank (AUB / the “Bank”) are committed to effective Corporate Governance and to observing the highest standard of behaviour and conduct to maintain the highest international standards of corporate governance and regulatory compliance.

AUB is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities. Our business success is dependent on trusting relationships which are built on this foundation of integrity. Our reputation is founded on the personal integrity of the Bank’s personnel and our dedication to:

- Our clients are priceless assets therefore protecting the Bank’s confidential information and maintaining honest communication with our stakeholders, suppliers and customers are main concerns.
- We are responsible for our words and actions, which confirms our commitment to do what we say.
- We adhere to all applicable laws and regulations that assure fairness in dealing with our employees, stakeholders, customers and suppliers.
- Feedback and opinions of employees, stakeholders, customers and suppliers are highly respected and valued.
- A cross-cultural management structure is maintained, we respect all our clients.
- We make every effort to be involved in the social and economic advancement of the communities in which the bank operates.
- We work in harmony with nature to protect the environment and natural resources.

**Mission Statement:**

To create an unrivalled ability to meet customer needs, provide fulfilment and development for our staff and deliver outstanding shareholder value

Objectives:

- To maximise shareholder value on a sustainable basis
- To maintain the highest international standards of corporate governance and regulatory compliance
- To maintain solid capital adequacy and liquidity ratios
- To entrench a disciplined risk and cost management culture
- To develop a cross-cultural meritocratic management structure
- To optimise staff development through business driven training and profit related incentive
- To contribute to the social and economic advancement of the communities in which the bank operates



Principles of Good Corporate Governance

Corporate Governance is a set of systems, organizational structures and operations that attain institutional control as per global standards and principles through determining the responsibilities and duties of the Board of Directors and Senior Management of a company taking into account protection of shareholders and relevant stakeholders rights (financiers, customers, management, employees, government, and the community).

This Framework includes:

- ❖ The contract between the Bank and the shareholders and stakeholders
- ❖ The distribution of responsibilities
- ❖ The procedure for reconciling conflict between the interests of stakeholders
- ❖ The procedures for proper supervision, control, and information

The key elements of good corporate governance are:

- ❖ **Transparency:** Make information widely-known and/or available
- ❖ **Accountability:** Expected to justify actions and/or decisions
- ❖ **Equity:** The act of being fair and neutral
- ❖ **Probity:** The quality of being honest and ethical



Corporate Governance at AUB

The Central Bank of Kuwait (CBK) in June 2012 has issued a set of instructions on corporate governance for local banks in Kuwait. The instructions include updates and development of previous CBK corporate governance rules taking into account the lessons learnt from the global financial crisis, new corporate governance guidelines issued in this respect and in particular the Basel Committee's paper titled "*Principles for enhancing corporate governance*" issued in October 2010, the principles issued by the Financial Stability Board (FSB) on remuneration schemes and the recommendations of the World Bank report issued in late 2010 concerning assessment of corporate governance principles at Kuwaiti banks, as well as the principles applied in some countries in the region.

In its new instructions, the CBK takes into account the structure of the Kuwaiti banking sector, the basic characteristics of the Kuwaiti economy and its integration with global economy as well as other factors that underline the critical importance of corporate governance at Kuwaiti banks.

The instructions include the following pillars:

Pillar 1: Board of Directors

Pillar 2: Corporate Values, Conflict of Interest and Group Structure

Pillar 3: Senior Management

Pillar 4: Risk Management & Internal Controls

Pillar 5: Remuneration Policies and Procedures

Pillar 6: Disclosure and Transparency

Pillar 7: Complex Corporate Structure

Pillar 8: Protection of Shareholders' Rights

Pillar 9: Protection of Stakeholders' Rights

The following pages include a brief on each Pillar and the steps taken by AUB to implement the requirements under each Pillar in order to comply with the CBK instructions and promote good governance within the Bank.



Pillar 1: Board of Directors

The Board's Overall Responsibility

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of the Bank's senior management including the CEO.

The Board assumes ultimate responsibility for the Bank's business and its financial soundness, fulfilment of Central Bank of Kuwait requirements, protecting the legitimate interests of shareholders, depositors, creditors, staff and stakeholders and ensuring that the bank is managed in a prudent manner and within the applicable laws and regulations and the internal policies and procedures.

Oversight of Senior Management

The Board appoints a Chief Executive Officer (CEO) with technical competency and banking experience for the Bank. Approval of the Board is also obtained prior to appointment of all senior management positions reporting to the CEO or the Chairman of the Board.

The Board oversees the Bank's senior management to ensure they carry out their assigned roles in line with the Bank's objectives and targets and the policies approved by the Board.

Separation of the Chairman and the CEO Positions

The Board has clearly separated the positions of the Chairman of the Board from that of the Chief Executive Officer, also ensuring that they should not be first grade relatives to, or have any relationship with, the other in a way that may affect independency of decisions taken by each position.

Succession Plans

The Board ensures that HR has succession plans in place for the executive positions in the Bank and that such plans are effectively implemented within the Bank.

Board Composition



The Bank has an adequate number and appropriate composition of Board members to enable the Bank form the necessary number of Board standing Committees in conformity with the governance requirements of the CBK. The Board members should have diversified experiences and specialized skills to reinforce the independency of Board decisions.

Board Chairman

The Chairman ensures the proper functioning of the Board and maintains a relationship of trust with the Board members. She/he ensures that Board decisions are taken on a sound and well-informed basis through proper discussion ensuring that dissenting views can be expressed and discussed within the decision-making process.

The Chairman establishes a constructive relationship between the Board and the senior management of the Bank and ensures that the Bank has sound corporate governance standards in place.

Organization and Functioning of the Board

The Board meets as often as it deems fit but at least 6 times a year with at least 1 meeting in every quarter. The minutes of the meetings shall be mandatory and constitute part of the Bank's records.

The Chairman, in consultation with the senior management, proposes the important and comprehensive topics to be included in the agenda of each Board meeting and ensures that the Board members are provided with sufficient information enough time before each Board meeting so as to be able to make informed decisions.

The Board Secretary takes record of all Board discussions, suggestions by the Board members and results of voting conducted in the Board sessions.

Corporate Secretary

The overall role of the Corporate Secretary is to assist the Board and its Chairperson in running Board affairs including but not limited to:

- Ensuring timely development of Board agendas in conjunction with the Chairman and CEO.
- Co-ordinating, organising and attending Board and shareholder meetings.
- Drafting and maintaining minutes of Board meetings.
- Carrying out any instructions of the Board.
- Ensuring compliance with all statutory requirements in relation to Board affairs.



Rights of the Board Members

- ✓ To receive all available information to be discussed at a meeting, prior to that meeting.
- ✓ To be given adequate time to consider and debate issues.
- ✓ Have access to relevant and reliable information and be entitled to obtain such resources and information from the Bank, including direct access to employees, as they may require.
- ✓ Any Director or Committee of the Board may, with the prior approval of the Chairman of the Board, seek their own independent legal or other professional advice at the Bank's expense to assist them in the proper performance of their duties to the Bank and the shareholders.

Delegation of Authority

The Board has delegated the task of running the day to day operations of the Bank to the Bank's senior management headed by the CEO through written / approved delegated financial and operational authorities.

The Bank has clearly set out all banking transactions that cannot be delegated to the Bank's management or the CEO and require the Board's approval.

Qualifications of Board Members

It is the aim of the Bank to have qualified and experienced members on the Board as well as the various Board Committees in order to serve the interests of the Bank and its various shareholders and stakeholders. The Board Compensation & Nominating Committee (CNC) assists the Board in the selection / appointment of Directors for the Board and its Committees by setting the basic criteria for such memberships. These are aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained, outstanding performance in all respects.

Board members should be and remain qualified with adequate knowledge and relevant experience, including through training, for their positions. They should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the Bank.



Ongoing Training & Development

The Board members, through regular trainings and participation in conferences and seminars, develop their skills and experience in finance, banking business, governance and risk management in line with the most recent future visions of the risks the Bank encounters in a dynamically developing environment.

Effectiveness

The Board is to at least annually review and assess its performance and the performance of its individual directors and Committees.

Pillar 2: Corporate Values, Conflict of Interest and Group Structure

Corporate Ethics & Values

The Board through the Code of Ethics and Conduct defines appropriate governance practices for its own work and has in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement. The Board takes the lead in establishing the “tone at the top” and in setting professional standards and corporate values that promote integrity for itself, senior management and other employees.

The Code of Ethics and Conduct has been circulated to all Bank staff and Board members, whose signatures are obtained as an acknowledgment to abide by contents therein. The Bank has published the Code on its website.

Conflicts of Interest

The Board has formal written policies covering all conflicts of interest related matters and possibilities thereof including, but not limited to:

- ✓ A member’s duty to avoid, to the extent possible, activities that could create conflicts of interest;
- ✓ Board approval on any activity a Board member is engaged in to ensure that such activity will not create a conflict of interest;
- ✓ A member’s duty to disclose any matter that may result, or has already resulted, in a conflict of interest;
- ✓ A member’s responsibility to abstain from voting on any matter where the member may have a conflict of interest or where the member’s objectivity or ability to properly fulfil duties to the bank may be otherwise compromised; and



- ✓ Adequate procedures for transactions with related parties to be made on an arms-length basis, and the way in which the Board will deal with any non-compliance with the policy.

Related Parties

The Bank has a written policy for Related Party Transactions which includes the rules and procedures regulating operations with related parties. The Bank keeps records of all related party transactions and keeps them under appropriate audit.

The Bank determines its related parties based on the definition of such parties under the International Accounting Standards (IAS), and keeps updated records of these parties in order to control any transaction with them. All related party transactions are disclosed in accordance with IAS and applicable IFRS in this regard, ID and as required by the local regulatory authorities including the CBK.

Confidentiality

The Bank gives the highest priority to confidentiality as a corner stone of its business and in its dealings with its customers, whether depositors, borrowers, investors or otherwise, as well as other stakeholders, for keeping the confidentiality of the Bank's business and wealth-related data and information.

The Bank's various policies on keeping the confidentiality of banking business, stipulate the following as a minimum:

- ✓ The necessity that Board members and the Bank's staff keep the confidentiality of information and data of the Bank and its clients, and the information and data of the clients of other banks, which may be known to the employees due to their work nature.
- ✓ Non-disclosure of any information or data of the Bank or its clients unless by the authorized persons, and to the extent allowed by the Bank's internal rules, regulations and policies.
- ✓ Maintaining the security of the information of the Bank and its clients and setting the regulatory controls to prevent access to the same by anyone save the authorized persons. The Bank's Disclosure Policy Manual sets the control systems to restrict access to information and data only to the authorized persons, and prevents leakage of any banking information in breach of banking confidentiality.
- ✓ The necessity of the Board and senior management's recognition of their responsibility for developing security awareness in the Bank in a way that enhances and keeps banking confidentiality.
- ✓ The importance of not using any information about the Bank's condition which may be available with a Board member or any of the Bank's staff for serving personal interests or the interests of other related parties.



The Bank's Internal Audit function audits the implementation of all such policies.

Group Structures & Parent Bank Board

The Board of AUB has the overall responsibility for adequate corporate governance across the group and ensures that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities.

Board Committees

The Board, without abdicating its own responsibility, has formed the following standing Committees to increase the efficiency of their control over the Bank's key operations:

1. Audit & Compliance Committee
2. Risk Committee
3. Compensation & Nominating Committee
4. Corporate Governance Committee
5. Executive Committee

The Chairperson of the Board may not be a member of the Audit and Compliance, Risk, Compensation and Nominating and Executive Committees.

The Nominating and Compensation Committee assists the Board in nominating members to each of the Committee based on its criteria for membership on each committee and to ensure that there is sufficient number of non-executive directors present on each committee to ensure independency of their decisions.

Each Committee has a Charter setting out its responsibilities, including:

- membership and qualifications for membership
- frequency of meetings
- committee authority
- reporting obligations to the Board

Compensation & Nominating Committee

It is formed of the Board and consists of at least three non-executive members including the Committee Chairperson. The key functions of the Committee on the Nominating Part include but are not limited to:

- Giving recommendations to the Board regarding the nomination for Board membership in accordance with the approved policies and standards as well as CBK instructions in this regard.
- Conducting an annual review on the required appropriate skills for Board membership and preparing a description of the capabilities and qualifications required for membership and



conducting an annual review on the Board structure and giving recommendations about the proposed changes serving the Bank's interests.

- Conducting an annual assessment of the Board overall performance and performance of each Board member.
- Providing information and summaries about certain critical issues to the Bank and submitting reports and information to the Board members, in addition to ensuring that Board members are continuously updated with the latest banking business related affairs.

Pillar 3: Senior Management

Senior management consists of a core group of experienced and qualified individuals including the CEO, DCEO's/ Sr. DCEO's, GMs and Executive Managers who are responsible and held accountable for overseeing the day-to-day management of the Bank.

Under the direction of the Board, the senior management ensures that the Bank's activities are consistent with the business strategy, risk appetite and policies approved by the Board. The Board depends on the senior management's competency in implementing the Board's resolutions / decisions without any direct interference by the Board.

Senior management contributes substantially to a Bank's sound corporate governance through personal conduct and by providing adequate oversight of those they manage. They are responsible for delegating duties to the staff and its monitoring thereof and establishing a management structure that promotes accountability and transparency.

Senior management is responsible for supervision and control over the Bank's business, particularly with respect to ensuring compliance, risk control, independence of functions and segregation of duties. They provide the Board with periodic transparent and objective financial and administrative reports.

Chief Executive Officer

The Chief Executive Officer (CEO) is responsible to the Board for the overall management and performance of the Bank.

The CEO manages the Bank in accordance with the strategy, plans and policies as approved by the Board.

The CEO is responsible for:

- Delivering on the Bank's strategic and operational plans as approved by the Board
- Referring transactions outside of his/her delegated authority to the Board
- Ensuring that all actions comply with the Bank's policies and with the law
- All actions delegated to him/her by the Board

The performance of the CEO is to be reviewed by the Board on an annual basis. The remuneration of the CEO is to be considered by the Compensation Committee and a recommendation made to the Board following the annual review of performance.



A CEO, who is appointed a Director, will not be entitled to a Director's fee in addition to the remuneration applicable to the position of CEO.

Pillar 4: Risk Management & Internal Controls

Internal Controls System

The Bank has established efficient and effective internal controls systems and risk management processes.

The Board approves the Bank's organization structure consistent with the Bank's strategy and activities, job descriptions with detailed roles and responsibilities, and formal policies and procedures for all banking functions and processes, the implementation of which is monitored by Internal Audit. Such policies and procedures determine the duties and responsibilities of each function, the authorities and reporting lines on different management levels in a way that realizes dual control and segregation of duties in order to avoid conflict of functions.

The Bank conducts an annual Internal Controls Review (ICR) through certified independent auditors other than the Bank's external auditors to ensure the adequacy of the internal control systems.

The Bank's Whistle-Blowing Policy has set procedures enabling employees to contact the Board Chairman to communicate their concerns regarding potential violations that may be carried out by any member of the Bank ("Whistle-blower"). The Bank ensures that whistle-blowers are protected and that they are not subject to any threats or penalties in case their legitimate concerns are proved incorrect.

Risk Management

The Board and the Board Risk Committee have established comprehensive policies on risk oversight and management. Such policies describe roles and responsibilities of the Board, the Risk Committee, the GM of Risk Management (CRO equivalent), the management and the Internal Audit function.

The GM of Risk Management (GMRM) is responsible for the Bank's risk management function and has direct access to the Board Chairman and the Chairman of the Board Risk Committee. The GMRM has the authority to influence the Bank's decisions pertaining to exposure to risks. The GMRM is appointed by the Board and his/her services cannot be terminated or dismissed from his/her position for any reason without the prior approval of the Board and the CBK.

The Risk Management function is responsible for identifying, measuring, monitoring, controlling, mitigating risks and reporting on risk exposures. While the Risk Management function is



independent of the other business units, it has access to all internal and external business lines, so as to understand them or request certain related information to assess exposures in an appropriate way.

Risk Committee

The Board Risk Committee is formed from three Board non-executive members including the Committee Chairperson. This Committee is responsible for giving advice to the Board on the Bank's present and future risk strategy and appetite and monitoring senior management implementation of this strategy.

The Risk Committee shall review Risk Management policies and strategies prior to the Board's approval. Senior management shall be responsible for implementing these strategies in addition to developing the policies and procedures for managing all types of risks.

The senior management in the Bank shall lay down risk management structure, role, responsibilities and methods of development, provided that the structure and role are reviewed by the Risk Committee prior to the Board's approval.

The GM Risk Management presents reports directly to the Chairman of the Risk Committee.

Internal Audit

The Bank has in place an independent Internal Audit function headed by the Chief Internal Auditor, through which the Board, senior management, and stakeholders are provided with reasonable assurance that its key organization and procedural controls are effective, appropriate, and complied with. Internal Audit has access to any information or any staff at the Bank as well as the full authority to perform the tasks assigned to Internal Audit.

The GM Audit is appointed by the Board and reports to the Board Audit & Compliance Committee.

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

The primary objective of the Internal Audit is to assist Board of Directors (through the Audit & Compliance Committee) and Management in the discharge of their management and oversight responsibilities through independent audits and reviews designed to evaluate and enhance the effectiveness of risk management, internal control systems, information systems and governance



processes within the Bank. The scope of Internal Audit covers all business, operational and support units of the Bank, including its controlled subsidiaries.

The key responsibilities of the Internal Audit function include the following:

1. Review the adequacy and effectiveness of internal control systems.
2. Review AUB's compliance with applicable laws and regulations.
3. Appraise sufficiency of and adherence to AUB's approved policies and procedures.
4. Auditing particular business activities relating to the Bank's financial position, internal control systems, risk management and others.

The Bank shall not outsource any of the basic audit roles. In the event where the Bank needs to outsource certain audit tasks to external parties for a specific period of time, the CBK's approval will be sought.

External Audit

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Bank, an external auditor shall be selected and appointed by the shareholders upon recommendation of the Audit & Compliance Committee and the Board.

The Audit & Compliance Committee has set appropriate standards to ensure that the external audit process is carried out by applying the Dual Audit methodology.

The external auditor shall provide the Audit & Compliance Committee with a copy of the audit reports and will meet with the Audit & Compliance Committee to discuss these reports and any other significant observations on the Bank's issues. The Audit & Compliance Committee shall meet with the external and internal auditor in the absence of the senior management at least once a year.

The external auditor of the Bank shall not at the same time provide all services of an internal auditor to the Bank. The Bank shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

The audit firm's partner in charge of the Bank's audit shall be rotated every four (4) years or earlier.

Audit & Compliance Committee

The Audit & Compliance Committee is formed of the Board members, including at least three non-executive members, one of whom shall be the Chairperson of the Committee. At least two members of the Audit & Compliance Committee shall be qualified and experts in financial business.



The Audit & Compliance Committee is responsible for reviewing the following:

- The Bank's internal and external audit scope, results and adequacy
- Accounting issues of a substantial impact on the Bank's financials
- The Bank's internal control systems, ensuring that the resources available are sufficient for the monitoring functions
- The Bank's financials before presenting them to the Board to ensure that necessary provisions are sufficient
- Ensuring that the Bank complies with the relevant policies, rules and regulations and instructions

The Audit & Compliance Committee is authorized to obtain any information from the CEO as well as the right to invite any senior or Board member to its meetings.

Pillar 5: Remuneration Policies and Systems

Remuneration Policy

The Board actively oversee the Bank's remuneration system's design and operation, and monitors and reviews the remuneration system to ensure that it is operating as intended. The Compensation and Nominating Committee provides guidance to the Board in respect of all remuneration related matters.

The Bank's Compensation Management Policy within its HR Policies serves as the remuneration policy and incorporates all the requirements of the CBK as mentioned within its corporate governance instructions. The policy includes all aspects and components of financial remuneration taking into account reinforcing effective risk management in the Bank. The policy is designed to attract and retain highly qualified, skilled, and knowledgeable professionals.

The Bank's remuneration system comprises the following major compensation components:

- Fixed Remuneration; and
- Variable Remuneration, which comprises:
 - Short Term Incentives; and
 - Long Term Incentives.

The guiding principles in managing remuneration for senior management are that:

- All elements should be set at an appropriate level having regard to market practice for roles of similar scope and skill;
- The remuneration should be used to encourage and reward continuous high performance;
- The remuneration should be linked to key business goals as defined by the Board; and
- Any reward should be used to align the interests of senior management with shareholders.



The Bank has a formal performance management process for evaluating and measuring staff performance at all levels objectively. The variable remuneration is linked with performance. The Bank's philosophy for senior management remuneration is to reward high levels of sustained performance.

The Bank shall disclose, in its Annual Report, the most significant aspects of its remuneration policies and systems.

Compensation & Nominating Committee

It is formed of the Board and consists of at least three non-executive members including the Committee Chairperson. The key functions of the Committee on the part of the compensation include but are not limited to:

- Draft the remuneration policy and submit the same for the Board's approval.
- Conduct regular revision of remuneration policy and make recommendations on any updates to the Board for approval.
- Carry out regular evaluation of the sufficiency and effectiveness of remuneration policy to ensure alignment with its objectives.
- Make recommendation to the Board regarding the level and components of the remuneration of the CEO and his/her direct reports as well as the Bank's executive staff.
- Accomplish any other tasks related to regulatory requirements.
- While evaluating the incentives proposed by the remuneration system, the Committee shall work closely with the Bank's Risk Management Committee and/or the Head of Risk Management.



Pillar 6: Disclosure and Transparency

Public Disclosure Policy

The Bank understands that the disclosure system is an effective tool for influencing the Bank's behaviour and protecting investors, and enhancing their confidence in the Bank. The Bank shall provide its shareholders and investors with accurate, comprehensive, detailed, sufficient, and timely essential information to be able to evaluate the Bank's performance, and make informed decisions.

The Bank is committed to:

- ensuring that stakeholders have the opportunity to access externally available information issued by the Bank
- providing full and timely information to the market about the Bank's activities
- complying with the obligations under rules and regulations of the relevant regulators

Information and data included in the Bank's annual or quarter reports, or presented in lectures given by the senior management shall be posted on the Bank's website, in both Arabic and English languages.

The Bank is committed to timely and accurate disclosure of all material issues affecting it, including but not limited to:

- Financial and operating results
- Objectives of the Bank
- Major share ownership
- Details of Directors, key executives and their remuneration
- Material foreseeable risks
- Material issues regarding employees, stakeholders, etc.

The Board has approved the Public Disclosure Policy including the policies and guidelines to be followed by the Bank for the release of sensitive information to the market, shareholders and stakeholders and to ensure there are proper controls in place for timely and accurate disclosure of essential information related to the Bank in line with local regulations, IFRS, Basel requirements as well as the corporate governance instructions of the CBK.

The Board is ultimately responsible for ensuring the integrity, accuracy and impartiality of the disclosed information and having the necessary controls and mechanisms in place for the proper implementation of the disclosure policies and procedures. The Board monitors compliance with the Public Disclosure Policy and takes remedial action where necessary.

The Bank will not disclose any information which is confidential and proprietary in nature. Disclosure pertaining to customers, products or systems which could have a material impact on the Bank's investment in those products or systems and render those products or systems less valuable, and would undermine the Bank's competitive position will not be disclosed. The Bank



shall not disclose any information or data, which might have an adverse impact on its condition or financial position, to certain categories like financial analysts, financial institutions or etc., before disclosing the same to the public.

Pillar 7: Complex Corporate Structure

Know Your Structure

The Board and senior management of the Bank shall be fully aware of the structure of the Bank's operations and the relevant risks at all times. They are fully aware of the structure of the group, in terms of the objectives of each unit or entity, as well as formal and informal relationships among the units and the Bank.

Proper and effective measures and bylaws are in place for obtaining and exchanging information among the group's entities, so as to manage the risks of the group as a whole and control the same effectively. The Bank's Board of Directors and senior management ensure that the products and their relevant risks are assessed by each entity in the group, and on the level of the entire group's entities as a whole.

Incorporation of New Structures

The Bank's approved investment policies related to the incorporation of new structures ensure that:

- Unnecessary complex structures are avoided
- Central procedures in place for approving and monitoring the incorporation of new legal entities under specific criteria including ability to supervise and fulfil the requirement necessary for the continuity of each unit
- Information on the Bank's structure, including type, charter, ownership structure, and activity of each legal entity is readily available
- Risks associated with complex structures, including incomplete transparency of operational risks arising from correlated and complex financing structures, are observed.

Pillar 8: Protection of Shareholders' Rights

The Kuwait Companies Law, the Law No. 32 of 1968 and the corporate governance instructions of the Central Bank of Kuwait (CBK) as well as the Bank's Memorandum and Articles of Associations and internal policies, include the controls and basis for protecting shareholder rights.

The Board ensures that it protects the rights of its shareholders including minority shareholders as well as the Bank's various stakeholders.

Rights of Shareholders



- Rights to review and participate in the decisions related to amending the Bank's Memorandum and Articles of Associations, as well as the decisions related to non-ordinary transactions which might affect the Bank's future or activity, like mergers, sale of a substantial portion of its assets, or winding up of subsidiaries
- Rights of meeting participation, comments and recommendations (if any) on any improvements required
- Rights of contributing in the decision-making of any significant changes being made in the Bank
- Rights of expressing an opinion on the appointment of members of the Board of Directors
- Rights to have accurate, comprehensive, detailed, sufficient, and timely essential information in order to evaluate investments and make informed decisions
- Rights for receiving dividends and for participating and voting at the General Assembly meetings
- Rights for minority / foreign shareholders to be treated on equal basis and be given the opportunity to rectify any mistreatment in their rights

Responsibilities of Shareholders

- Shareholders are to ensure that the stewardship of the Directors is effective
- Shareholders should ensure they are informed on the Bank, take an interest in the composition of, and performance by the Board and its Committees, and should not involve themselves directly in the affairs of the Bank
- Shareholders should not seek access to sensitive Bank information not generally available

Pillar 9: Protection of Shareholders' & Stakeholders' Rights

Basic Rights of Shareholders and Stakeholders are listed below but not limited to

Shareholders

- Right to be treated on a just and equitable basis
- Rights to dispose of owned shares and subscribe to new shares
- Rights to review and participate in the decisions related to amending the Bank's Memorandum and Articles of Associations, as well as the decisions related to non-ordinary transactions which might affect the Bank's future or activity, like mergers & acquisitions.
- Rights of participation in the management of the Bank through Board membership for those who comply with the required qualifications and through attending the Bank's General Assemblies and participating in the deliberations thereof.
- Rights of expressing an opinion on the appointment of members of the Board of Directors
- Rights to receive the annual financial statements and the Board reports



- Rights for receiving dividends decided to be distributed and for participating and voting at the General Assembly meetings
- Rights for minority / foreign shareholders to be treated on equal basis and be given the opportunity to rectify any mistreatment in their rights
- Rights to obtain a share of the assets of the Bank in case of liquidation after discharging the Bank's debts
- Rights to express their views and deal with any unjust treatment of their stipulated rights and not to restrict their rights except with a formal approval from the General Assembly or governing laws and regulations.

Stakeholders

- Right to be treated on a just and equitable basis
- Rights to open and clear disclosures of the relevant information as per the stipulated regulations and the Bank's policy in this regard



Manual Maintenance

The Corporate Governance Committee is responsible for maintaining this manual and monitoring its compliance by the relevant parties within the Bank. The manual shall be subject to an annual review.

The manual shall be posted on the Bank's intranet and available for inspection by any shareholders of the Bank at reasonable hours on business days.

The Internal Audit function of the Bank shall audit compliance with this Manual. Any violation thereof shall be reported to the Corporate Governance Committee who may report the same to the Board.

All business processes and practices being performed within any department or business unit of the Bank that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

Penalties for Non-Compliance with the Manual

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Bank's directors, officers, staff, in case of violation of any of the provision of this Manual:

- In case of first violation, the subject person shall be reprimanded.
- In case of second violation notice that litter and two days' pay deduction.
- In case of third violation, notice of service termination with four days and pay deduction.

The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause of removal from Directorship.

The Governance Committee shall be responsible for determining violation/s through notice and hearing and shall recommend the imposable penalty for such violation, for further review and approval of the Board.