

التجاري
Al-Tijari



Corporate Governance Manual

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1. Introduction

Within the requirements of Corporate Governance principles under Central Bank of Kuwait (CB) instructions with regards to Corporate Governance Rules & Regulations in Kuwaiti banks and the international supervision standards such as the issued by Basel Committee on Banking Supervision in this regard as well as the Companies Law structures about Corporate Governance, Commercial Bank of Kuwait “The Bank” has laid down many years ago a prudent Corporate Governance rules & regulations which considered a key factor in enhancing sound management in the Bank, as the Bank applies a set of bylaws, policies and practices which aim to enhance such principles and promote sound Corporate Governance culture within the Bank.

The Bank continues to enhance its policies, procedures and its practices in Corporate Governance with a view to effectively apply the laws, instructions and standards issued by different regulatory & supervisory authorities pertaining to Corporate Governance rules in order to safeguard the Bank and its rights and the rights of its shareholders, depositors, creditors, customers, staff members and other stakeholders. In addition to that the Bank has taken the necessary procedures to develop and update its bylaws and policies to comply with the CB requirements & supervisory authorities. Further, the Bank adopts the utmost degrees of transparency while disclosing all material information relevant to the Bank, and discloses them in accordance with Capital Markets Authority (CMA) and Boursa rules.

2. General Principles

Corporate Governance has become a mountain concern for economic organizations in various countries on the back of the financial crisis that hit large shareholding companies and shook confidence in the sound management of such companies, as well as in the integrity of their declared financial results and the realities of the stock prices of these shareholding companies at global stock markets. The global financial crisis of 2008 emphasized the importance of Corporate Governance as the crisis revealed that poor Corporate Governance and failures in implementing sound practices have been among other factors that contributed in the outbreak of the global financial and economic crisis.

Corporate Governance at banks is of significant importance due to the major risks and implications arising from malpractices in the banking activities given the role that banks play in economy and the deeply rooted relationship between banks and the society in general whether depositors, borrowers, shareholders and employees in view of the nature and importance of products and services offered by banks to the national economy. Therefore, sound Corporate Governance practices at banks are essential for each bank and for the financial system. As such, effective Corporate Governance is an essential pillar for financial stability.

In light of the latest issues of the international Corporate Governance regulatory standards as well as the Companies Laws related to Corporate Governance, The Central Bank of Kuwait issued on 10th September 2019 an update to its instructions of the Corporate Governance Rules & Regulations in Kuwaiti Banks” to replace the old one issued in this regard. Some changes have been made; most notably the inclusion of the independent members in the formation of the BOD

and its Committees to consolidate the principle of the independence of the BOD, and increasing the number of BOD members to be not less than eleven as well as the number of the independent members to be not less than four and not more than half the BOD members, in addition to ensure the importance of the BOD roles in the fields of risk management As well as emphasizing on risk governance, including information security and Cybersecurity in light of the growing importance of protecting the systems and information security in light of the challenges resulting from the rapid development of modern techniques used in the field of banking as well as adding the compliance function and ensure its governance in the overall risk management framework To the bank.

The said instructions included a set of basic pillars pertaining to banks' Corporate Governance principles including 9 pillars as follows:

1. Board of Directors.
2. Corporate Values & Ethics, Conflict of Interests and Group Structure (The Bank and its Subsidiaries).
3. Senior Executive Management.
4. Risk Management & Internal Controls.
5. Remunerations' Systems & Policy.
6. Disclosure & Transparency.
7. Complex Corporate Structures.
8. Protection of Shareholders' Rights.
9. Protection of Stakeholders' Rights.

Effective Corporate Governance practices are essential for building up public trust and confidence in the banking system, and are critical to the proper functioning of the banking sector and economy as a whole. Poor Corporate Governance can contribute to bank failures, which can in turn pose significant costs on the country and consequences of broader macroeconomic implications particularly in case of an operational crisis with impact on payment and settlement systems. Sound Corporate Governance practices involve the allocation of authorities and responsibilities, i.e. the methodology in which the business and affairs of a bank are governed by its Board of Directors and Executive Management, including how they:

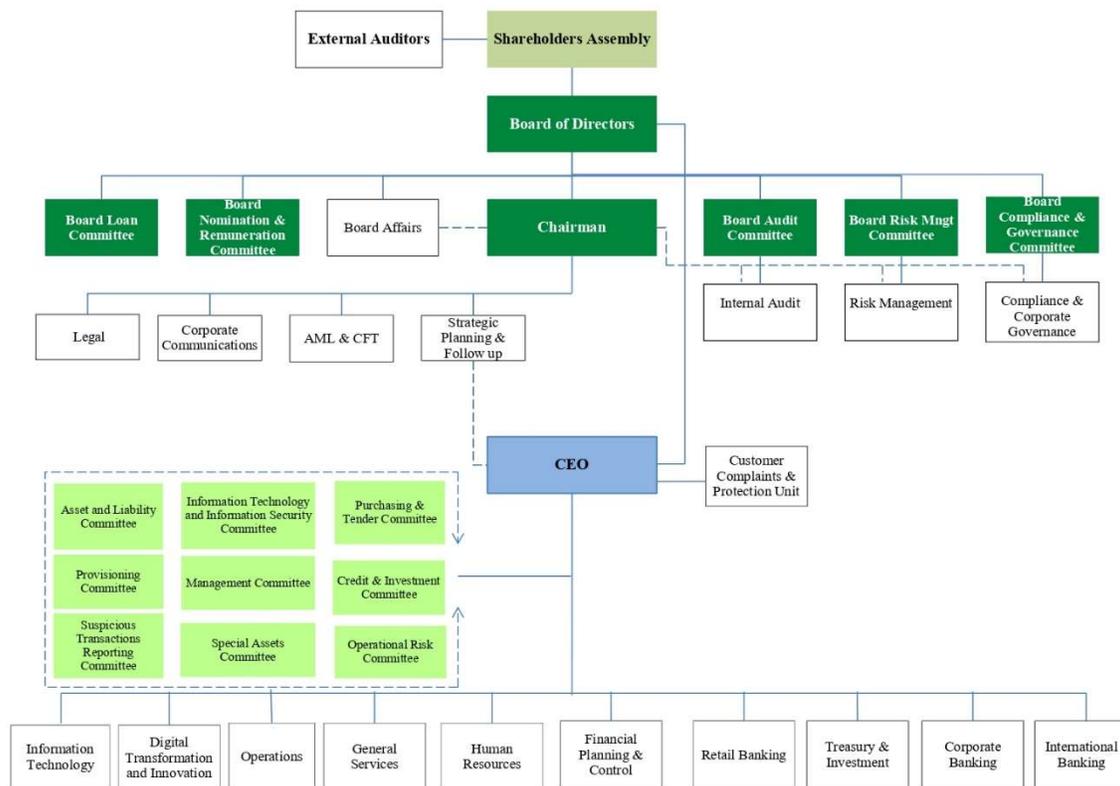
- Set the Bank's strategy and objectives;
- Identify the Bank's risk tolerance/appetite;
- Operate the Bank's business on a day-to-day basis;
- Protection of shareholders and stakeholders rights;
- The Bank operates its activities in a safe and sound manner, with integrity and in compliance with applicable laws and instructions;
- Manage the Bank, taking into account not to expose the banking sector to any system crisis.

3. The Bank's Organizational Chart and Governance Structure

The Bank endeavored to have in place an organizational chart in consistency with the Bank's nature, activities and size in which the required regulatory controls are insured to implement the Bank's strategy, and objectives and carry out its work within the framework of sound corporate

Governance instructions through identifying the objectives, determining the roles , responsibilities and duties of all Units included in the Banks structure and determining the contact lines for all managers whatever their managerial level is, taking to its consideration the suitable internal control systems including bilateral oversight, segregation of responsibilities & the availability of policies & procedures, and job descriptions.. Taking in to account that the organizational chart shall be transparent, clear and uncomplicated which facilitate the decision making process, achieve good Governance, define the responsibility and accountability limits and includes important forms of control represented by the BOD oversight, the Executive management oversight and a direct oversight on the Bank activities, as well as an independent functions for Risk Management, Internal Audit and Compliance. It has also been taken in to account that the Governance structure contributes to effective control over the bank’s subsidiaries, and this structure is periodically evaluated to ensure its continuous suitability.

Below is the latest updated organizational and governance structure of the bank:



* The Bank’s Organization Chart was updated and approved by BOD on 11 January 2023.

4. Board of Directors and Board Committees

a) Board of Directors:

According to Companies Law and its executive Bylaws, the Bank Article of Association as well as the Corporate Governance Instructions the BOD are elected by the shareholders by secret ballot at the General Assembly after approval of central bank of Kuwait, the BOD shall include independent members according to the Article No. 29 of the Bank's Article of Association for a period of three years subject for renewal. Noting that CBK is applying the cumulative system while voting to elect the BOD members.

The Board of Directors structure, collectively, has various academic qualifications, practical experiences and specialized skills and possesses adequate knowledge in the areas of financing, accounting, lending and banking operations, strategic planning, Corporate Governance, risk management, internal controls, regulatory, control environment, sustainability and sustainable financ, in addition the Board of Directors is continuously informed of local, regional and global economic developments.

The Board of Directors operates in accordance with its approved bylaws and manages the Bank's affairs and is deemed the primary authority in charge of all the results arising from implementation of the strategies, plans and policies approved by the Board of Directors and which are relevant to the Bank's diverse activities. The Board of Directors has the widest powers to manage the Bank and to carry out all actions necessary for the Bank management in accordance with the Bank's objectives. These powers are restricted only by the provisions of the law, the General Assembly's decisions, regulatory authorities' instructions and the Bank's Memorandum and Articles of Association. As such, the Board of Directors' responsibility includes safeguarding the rights of shareholders, depositors and creditors, customers, staff members and all other stakeholders that have interests with the Bank. All these powers and responsibilities should be governed by prudent and precise strategies, policies and procedures which are implemented in the required professional manner for achieving the Bank's objectives and ensuring its continued financial stability.

Chairman and Vice Chairman have been elected by secret ballot among the Board Members. The Chairman of the Board of Directors is the Chairman of the Bank and represents the Bank towards its relations with other parties and his signature is considered as the signature of the Board of Directors in the Bank's relations with other parties. The Chairman shall implement the Board of Directors' decisions and be bound by its directives. The Vice Chairman takes the place of the Chairman during his absence or in case of any impediment that may prevent the Chairman from exercising his powers and functions.

The general responsibilities of Board of Directors are as follows:

- Assume ultimate responsibility for the Bank's business activities and its financial soundness, fulfillment 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 instructions and the in-house policies and bylaws.

- Set up & identify the strategic objectives of the Bank, oversee its Executive Management which is responsible for the day-to-day operations.
- Approve the internal control systems and ensure effectiveness thereof and adherence by the Bank to the approved strategic plan, policies and procedures or those required by the law and the instructions issued in this regard and ensuring that all risks are properly managed.
- Build up the public trust in the bank management along with emphasizing that the role of the Board of Directors is not only restricted to the concept of profitability but it also extends to take into account risk impacts on the interests of depositors and financial stability.
- Approve the strategies, policies and controls for information security and Cybersecurity programs which shall be in line with the Bank's strategy and objectives and risk appetite.
- Raise the awareness of information security and Cybersecurity, and focus the efforts in selecting systems / programs that will enhance information security protection systems against relevant risks.
- Focusing on risk and compliance governance, in addition to information security and cyber security risks, as well as the independency of internal and external audits.
- Strengthen the principle of Board of Directors' independence and emphasize the importance of each Board Member's commitment to carry out his/her role towards the Bank and all shareholders.
- Encouraging to implement the concept of sustainable development and prompt sustainable financing by taking into account sustainability standards and including this within the approved strategy of the Bank.
- Ensure that the transactions conducted with related parties are scrutinized along with verifying the validity of such transactions.
- Ensure that written policies covering all of the banking functions are available with the bank and communicated to all departments and regularly reviewed to reflect any amendment or changes to laws, instructions and economic conditions as well as any other bank related matters.
- Appoint a Chief Executive Officer "CEO" for the Bank, who should have technical and banking experience and competency as well as integrity and appoint Deputy CEO and other Executive Managers such as Chief Financial Officer, Chief Internal Auditor and Head of Risk Management; the Board of Directors should ensure that they possess the qualifications and expertise relevant to the nature of their functions.
- Provide adequate oversight on Executive Management to ensure they carry out their assigned roles in line with the bank's objectives and targets, and that the policies approved by the Board of Directors are applied.
- Set the succession plans related to the technical cadres and the bank's executive positions that may become vacant. Such succession plans should outline the statement of qualifications and requirements the incumbent should possess to occupy such vacant positions.
- Other duties, responsibilities and powers according to the approved bylaws of the Board of Directors

b) Board Committees:

Within the process of enhancing the principles of Corporate Governance at the Bank, the Bank has formed five Board Committees includes within its members a sufficient number of non-executive and independents members, four Committees assist in overseeing the application of Corporate Governance's different aspects in addition to the BLC which is concerned with all issues related to the credit facilities portfolio with a view to enhance the effectiveness of the Board of Directors' oversight over the Bank's important business activities. These Committees operate according to its bylaws approved by the Board of Directors which determine its roles, responsibilities and work frame and present periodic reports to the Board of Directors within the functions & responsibilities assigned to each Committee. It is taken care to appoint a sufficient number of non-executive and independent members to avoid any conflict of interests. It is to be noted that the existence of these Committees does not release the Board of Directors from the direct responsibility for all issues related to the Bank. The Board Committees consist of the following:

Board Compliance & Corporate Governance Committee (BCGC)

BCGC is constituted of at least three Board Members including the BCGC Chairperson. The BCGC shall include one independent member, and its meeting conducted whenever the need arises. The secretary to the BOD shall act as BCGC secretary. The minutes of meeting are taken and it is considered as part of the Bank records in which are available for the Central Bank Inspectors, below are the main roles and responsibilities of the BCGC:

- Prepare and update Corporate Governance Manual to be approved by the Board of Directors. The manual shall include, as a minimum, the Central Bank of Kuwait's rules and instructions on Corporate Governance. Which shall be posted on the Bank's website.
- Review the annual reports submitted by the Compliance & Corporate Governance Division in the Bank on the Bank's compliance with the relevant legislations and regulations, and the latest developments in this regard and the efficiency of the Bank's management of non-compliance risks that facing the Bank in light of the compliance department identification and assessment of the issues associated with non-compliance risks and the Bank's plans for the efficient management of such risks at least once a year. And present these reports to the BOD.
- Follow-up the implementation of the rules and regulations contained in the CG manual, and follow-up the Bank's governance practices to ensure their effectiveness and propose the necessary improvements in this regard, and follow-up the ability of subsidiaries to meet the applicable governance requirements and present these reports to the BOD.
- Review the CG report (within the Bank's annual report) on the extent to which the Bank is in compliance with the implementation of CG instructions and CG manual items, and stating the reasons for non-compliance with the same if any.
- Evaluate the CG structure on an annual basis to ensure that it is continuously appropriate, and ensure that such structure contributes to the effective control on subsidiaries, and present the same to the BOD annually.
- Ensure the independency of the compliance and CG functions in terms of they are carrying out their responsibilities independently and effectively, and that these functions are staffed with qualified personnel and provided with the sufficient resources and proper training, and present the same to the BOD annually.

- Approving periodic work programs and plans for the Compliance & Corporate Governance Division.
- Propose/review any amendment to be introduced to the Bank's Memorandum and Articles of Association. Particularly when it is related to Corporate Governance requirements.
- Review the Board of Directors' bylaws and the various Corporate Governance policies and other bylaws & policies and Corporate Governance requirements, as per the regulatory instructions or the BOD request.

Board Risk Management Committee (BRMC)

BRMC is composed of at least three non-executive Board Members including the BRMC Chairperson, the BRMC shall be chaired by an independent member it shall meet once every three months or whenever needed arise, the secretary to the BOD shall act as BRMC secretary. The minutes of meeting are taken and are considered part of the Bank records in which are available for the Central Bank Inspectors below are the main roles and responsibilities of BRMC:

- Review the Bank's risk appetite and strategy, before getting it approved by the Board of Directors. Review the Bank's risk management policies before getting approved by the Board of Directors and ensure that are circulated to the concerned divisions/departments within the Bank through RMD.
- Ensure the implementation of CB instructions concerning capital adequacy (Basel), ICAAP and stress testing.
- Review the credit rating system and the like before presenting to the BOD for approval.
- Ensure that the risk management function is implementing the risk strategy and appetite, and developing methodologies for identifying, measuring, monitoring, controlling and mitigating the risks in addition to establishing and developing comprehensive and strong systems and procedures for managing different types of risks, and spreading of risk governance culture within the Bank.
- Ensure the Executive Management's implementation of the risk management strategy and appetite and risk policies.
- Ensure that the risk governance framework includes well defined regulatory responsibilities for the risk management which are usually referred to as three lines of defense.
- Review risk reports related to subsidiaries and take the necessary action in relation to such reports and review the policies associated with such risks to be presented to the BOD.
- Review the periodic risk reports submitted by Risk Management Division on the Bank's risk exposures and taking into account the extent to which different types of risks overlap, and adherence to various risk limits, the calculation of capital adequacy and ICAAP.
- Discuss the results of stress testing periodically to measure the Bank's capabilities to withstand shocks and high risks and the actions to be taken based on these results, in addition to the assumptions and scenarios used in such tests, and present the same to the BOD.
- Ensure the establishment of information security function within the Bank and the necessary criteria are continuously available for this function as described in the CB instructions, and present the same to the BOD.
- Review the strategies, policies and controls for information security and Cybersecurity programs which shall be in line with the Bank's strategy and objectives and risk appetite, and

present the same to the BOD. And review the follow up reports prepared by the executive management in this regard.

Board Audit Committee (BAC)

BAC is constituted of at least three non-executive Board Members including the BAC Chairperson the BAC shall be chaired by an independent member, it shall meet once every quarter or whenever needed arise, or according to the request of the chairperson or two members of the committee. The CEO and the CIA shall participate in the periodic meetings of the committee the secretary to the BOD shall act as BAC secretary. The minutes of meeting are taken and are considered as part of the Bank records in which are available for the Central Bank Inspectors below are the main roles and responsibilities of BAC:

- Review the scope, outcomes and the sufficiency of internal & external audit functions within the Bank.
- Review accounting issues that may have a significant impact on the Bank's financial statements.
- Review the Bank's internal control systems and ensure that human and other resources dedicated to handle jobs related to regulatory issues are adequate and sufficient.
- Oversee and support independence of Internal Audit function.
- Review the Bank's financial statements before presenting the same to the Board of Directors and ensure adequacy of provisions.
- Verify the extent of the Bank's compliance with the laws, resolutions and regulatory instructions pertinent to the Bank's business and which are issued by the competent authorities in the country.
- Evaluate the performance of the CIA annually and determine his remunerations and the remunerations of internal auditors.
- Ensure that the internal audit division has a quality assurance and improvement program and that the results of these periodic assessments are presented to the committee.
- Present the recommendation to the BOD for appointment, termination of the contract, and determine the fees of the External Auditors, and any other contractual conditions related to them, based on a review of their engagement letters, The BAC should meet at least once during a calendar year, without the presence of the Executive Management, with the External Auditors, CIA and head of compliance and corporate governance.
- Reviewing the internal audit reports or any other related reports, shall ensure that appropriate controls are in place so that employees can express their doubts about any issues suspected to be in violation or may entail possible violation of law, regulatory instructions, and internal policies and bylaws.
- Commitment to the assigned duties & responsibilities pertaining to internal & external audit and internal control systems.

Board Nominations & Remunerations Committee (BNRC)

BNRC is constituted of at least three non-executive Board Members including the BNRC Chairperson, The BNRC shall be chaired by an independent member. It shall meet whenever the need arises, the secretary to the BOD shall act as BAC secretary. The minutes of meeting are taken

and are considered as part of the Bank records in which are available for the Central Bank Inspectors below are the main roles and responsibilities of BNRC:

- Prepare and update the BOD membership nomination criteria's including the conditions and requirements needed in accordance with the relevant legislations and CB instructions in this regard, and submit the same to the BOD for approval.
- Propose recommendations to the Board of Directors regarding the nominees for board membership according to the nomination criteria approved by the BOD and the relevant legislations and CB instructions in this regard. This includes checking the necessary conditions and requirements to ensure the independency of the independent members.
- Conduct an annual review for the proper and necessary training needs for the BOD Members in order to develop their expertise, skills & knowledge required for the BOD membership and propose the recommendation to the BOD in this regard.
- Conduct an annual review for the BOD structure, and propose the recommendations to the BOD regarding any changes thereto.
- Ensure annually of the continued availability of independency conditions in the independent members during their BOD membership.
- Conduct an annual assessment of the BOD overall performance and the performance of each BOD Member. Such assessment shall include the members' expertise and knowledge, assessment of their authorities and powers, and leading characteristics.
- Provide the new BOD members at the time of their election/appointment with the guide book/manual which clarify their rights, duties and responsibilities, and the BNRC Secretary shall follow-up this matter.
- Ensure that the BOD members have access to the information and reports about the critical topics related to the Bank, and the BNRC Secretary shall follow-up this matter.
- Ensure that the Board Members are always cognizant of the up-to-date issues related to banking business through the proper means.
- Prepare the remuneration policy, and submit the same to the BOD for approval.
- Oversees the implementation of the remunerations policy and scheme through the information and reports provided by the management to the BNRC quarterly, and present the same to the BOD.
- Review the remunerations policy on an annual basis at least or as requested by the BOD, and propose the recommendations to the BOD regarding any amendments/updates thereto; such amendments / updates shall be effective only after the BOD approval. This review include evaluation of sufficiency and effectiveness of the remunerations policy to ensure the achievement of its objectives according to the relevant information to work flow of the remunerations scheme presented by the management to the BNRC, and present the same to the BOD.
- Propose the Recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO and his/her deputies & assistants as well as who are at the same level of these executive jobs in the Bank, such recommendations shall be effective only after the BOD approval.
- Ensure that the executive management has adopted the effective systems, procedures and mechanisms to ensure compliance with the approved remunerations policy, and present the same to the BOD.

- Ensure that the remunerations policy and related practices at the Bank’s financial subsidiaries and overseas branches (if any) are consistent with the remunerations policy applicable at the Bank and in line with the Central Bank of Kuwait’s instructions on Corporate Governance rules.
- Ensure that annual independent review of the remunerations policy noting that this review can be conducted through the Bank’s Internal Audit Division or an external advisor.

Board Loans Committee (BLC):

BLC is constituted of at least four Board Members including the BLC Chairperson, It shall meet at least once each month the secretary to the BOD shall act as BAC secretary. The minutes of meeting are taken and are considered as part of the Bank records in which are available for the Central Bank Inspectors, below are the main roles and responsibilities of BLC:

- Review the credit policy and the proposed amendments thereto before the BOD approval, in accordance with the relevant CB regulations.
- Review, amend and approve country credit limits and the prescribed counter parties' limits for banks
- Review, amend and approve the foreign exchange limits (FX Limits) within the limits prescribed by the CB.
- Review, revise and approve granting and renewing of credit facilities, based on the Credit & Investment Committee's recommendation and within the limits prescribed by the CB.
- Give the approvals on the procedures of returning funds, reversing the interests & fees, carrying items off the balance sheet, the final settlement of the written off amounts, the excess and extension of the credit limits’ term as set out in the credit policy and as per the CB regulations and guidelines.

5. Senior Executive Management

Senior Executive Management consists of Board-appointed group of individuals responsible for managing the Bank’s day-to-day operations. Such group is comprised of the CEO, as well as CEO’s deputies and assistants. They should have the necessary education, experience, competencies and integrity to manage the Bank’s businesses.

- Under the supervision of the Board of Directors, Executive Management should ensure that the Bank’s activities are consistent with the business strategy, risk appetite and Board-approved policies.
- Executive Management contributes substantially to the Bank’s sound Corporate Governance.
- Executive Management is responsible for assigning tasks and delegating duties to the staff and should establish a management structure that promotes accountability and transparency.
- Executive Management should set, in consistency with the direction given by the Board of Directors, appropriate systems to manage financial and non-financial risks to which the Bank is exposed. It should also set effective internal control systems; carry out the Bank’s activities in line with its business strategy, permissible risks and policies approved by the Board of Directors; and participating in preparing proposals on the Bank’s business strategy and annual budget.

- Executive Management is responsible for the supervision and oversight on the Bank's business activities. As such the Executive Management should particularly guarantee that compliance & risk control functions are carried out properly along with ensuring independence of functions and segregation of duties.
- Executive Management should practice the activity pursuant to the standards of code of conduct.
- Executive Management is responsible for preparing financial statements pursuant to the International Financial Reporting Standards (IFRS) as well as other applicable standards including those issued by the Central Bank of Kuwait in this respect.

In view of the above, the Board of Directors approved the roles and responsibilities delegated to the CEO who is responsible towards the Board of Directors for applying all bylaws and policies approved by the Board of Directors in consistency with the prudent Corporate Governance standards and relevant instructions issued by Central Bank of Kuwait.

6. Corporate Ethics & Values and Group Structure (The Bank and its Subsidiaries)

a) Corporate Ethics and Values:

The Bank continues to apply sound Corporate Governance practices and further considers such practices as fundamental principles and significant components of its overall culture. The Bank should actively endeavor to enhance compliance with the corporate values and raise awareness of all staff members about such values.

The Bank complied with Corporate Governance values which were enhanced through a set of policies and procedures applicable at the Bank.

The Bank circulates the policies and Code of Conduct to all its employees, as well as the Board Members and obtains their signature as confirmation for abiding by the same and publish it on the Bank's website.

Code of Conduct

The Code of Conduct which approved by the Board of Directors is one of the essential Corporate Governance pillars in the Bank. The Board of Directors and Executive Management are keen to adhere to this Code of Conduct in the day-to-day operations of the Bank and in dealing with its employees, clients and all other parties.

The Code of Conduct is reviewed periodically to ensure its consistency with all developments in the areas of Corporate Governance and Code of Conduct. The Board of Directors also supervises the efficiency of the implementation of the Code of Conduct through the internal audit and internal control to identify any gaps that can be identified and taking the necessary action.

Conflict of Interests

The Bank endeavors to ensure that the Conflict of Interest Policy as approved by the Board of Directors is properly applied within the Bank. Concurrently, and under the supervision of the Board Compliance & Corporate Governance Committee and the Board of Directors, the Bank regularly reviews this policy in view of the Bank's business scope and to cope with the developments seen in legislative and regulatory instructions. In addition, the Bank adopts a set of procedures and forms & registers for regulating Conflict of Interest disclosures and identifying the required mechanism for dealing with the same.

This policy provides a general framework for Conflict of Interests that arises from the transactions/dealings with the Bank whether this conflict is between the Board Members and the Bank or between the Executive Management Team Members and the Bank. Further, this policy defines the term Conflict of Interests, and outlines some examples for Conflict of Interests cases & the responsibilities of affected member in addition to the disclosure steps and the way of handling the Conflict of Interest cases, and other matters as set out in this policy.

This policy sets the necessary rules and controls to ensure averting Conflict of Interests towards the Bank with a view to enhance transparency while making decisions, also it clarifies the followed procedures in case of non-compliance.

Related Parties Transactions

The Bank endeavors to conduct all its transactions with related parties on an arm's length basis and under the same terms that are applied to other non-related parties without any preferential terms by implementing policy covering Transactions with Related Parties as approved by the Board of Directors. Furthermore, and under the supervision of the Board Compliance & Corporate Governance Committee and the Board of Directors, the Bank regularly reviews this policy to ensure its consistency with the Bank's business scope and the progress seen in legislative and regulatory instructions. In addition, the Bank maintains the related parties' lists and adopts a set of procedures and uses forms & registers that regulate the related parties' transactions.

The objective of this policy is to provide a framework for the related parties' transactions with the Bank, as the related parties may have authorities and influence towards the Bank, hence they may have the chance to get exceptional benefits in their transactions with the Bank. This policy establishes the necessary rules and controls for regulating transactions with related parties on a transparent and arm's length basis and also to avoid Conflict of Interests, also it clarifies the followed procedures in case of non-compliance.

Inside Information and the Insiders

Within its endeavors to preserve confidentiality of the inside information related to the Bank & its customers and to prevent the misuse of such information, the Bank had in place a policy governing dealing in securities for the insiders, and this policy was enforced after being reviewed by the Board Compliance & Corporate Governance Committee and approved by the Board of Directors.

Furthermore, the Bank initiated some precautionary procedures, salient of which the Bank obtaining acknowledgments & undertakings from the insiders, also determining the proper contractual arrangements with the other insiders and preparing a list of the insiders & updating the same on an ongoing basis along with preparing the required forms & records in this regard and disclose them on the banks page through Boursa Kuwait portal.

Banking Confidentiality

The Board of Directors, Executive Management and employees endeavor to preserve and maintain confidentiality of information of the Bank, its customers and other stakeholders as per the provisions of the laws, rules and instructions issued by the Central Bank of Kuwait and other regulatory authorities.

The Bank consistently applies the required controls to ensure maintaining the confidentiality of information as per the policies approved by the Board of Directors in this regard and the internal control systems.

Banking confidentiality is considered one of the key principles of banking business due to the trust and reassurance it gives to all parties dealing with banks. Breaching of banking confidentiality will have negative effects not only on the breaching bank, but they may also extend to cover the whole banking sector. The Bank emphasizes its commitment to the highest banking confidentiality standards and takes all the required precautions to observe confidentiality of Information related to the Bank or those associated with individuals & parties dealing with the Bank and it also emphasizes its strict adherence to the laws and all related instructions issued by regulatory authorities on confidentiality. As such, the Bank's Board of Directors approved a confidentiality policy covering all legal and regulatory requirements in addition to a set of stringent standards in this area for enhancing and strengthening solid and sound culture within the Bank towards full commitment to confidentiality of data and information pertaining to its stakeholders.

Whistle Blowing

The Bank aims to implement the approved Whistle Blowing Policy to enhance the communication culture to the Bank's employees & others, provide a means by which they can be involved in the protection of the Bank and its interests and to establish a mechanism that enable them to communicate any information that may come to their knowledge to the Bank regarding any transaction or behavior within the Bank that are suspected of violating or already violate the laws, regulatory instructions or internal policies or information about any other operations processed in the Bank in a manner that raises certain suspicions or concerns. This policy allows employees to directly communicate with the Chairman regarding such concerns and it also provides protection to those employees and giving them the right for not disclosing their identity.

Customer Complaints & Protection

Within the Bank's endeavors to find the proper solutions for the complaints received from customers and in compliance with the regulatory requirements, the Bank established a specialized department, with direct reporting line the CEO, to deal with customers' complaints. This Department has in place approved policy & procedures governing its work as well as the appropriate mechanisms for dealing with the complaints. Further, the Department oversees the effective implementation of the Customer Protection Manual to enhance the customers rights and provide them with a specile services, in compliance with the instructions issued by the Central Bank of Kuwait in this regard.

b) Group Structure (The Bank and its Subsidiaries):

The Board of Directors of the parent Bank has the overall responsibility for adequate Corporate Governance across the Group and ensuring that there are Corporate Governance policies and mechanisms appropriate to the structure, business and risks of the overall Group & its entities. Whereas, the Board of Director of the Bank and the executive management should know of the group structure, and be aware of the material risks and issues that might affect both the Bank as a whole and its subsidiaries. It should therefore exercise adequate oversight over subsidiaries with due respect to the legal independency of Corporate Governance responsibilities related to the subsidiaries' Board Members. In addition to ensure that the Governance structure contributes to the effective oversight over subsidiariesso in this regard the bank evaluates the related risks along with this structure periodically to insure the continuity of its suitability.

7. Risk Management & Internal Controls

The Bank has in place effective and independent internal control and risk management systems with due observation of expertise and competence to be possessed by the concerned officials. Within its efforts to comply with Corporate Governance rules, the Bank's Board of Directors endeavored to get Head of Risk Management Division, Chief Internal Auditor and Head of Compliance and Corporate Governance have independence and the right to obtain all required information related to their duties and functions with easy access to the Chairman of the Board of Directors and the Board Committees' chairpersons without any obstacles.

Internal Control Systems:

- The Board of Directors has approved an organizational structure that is consistent with the Bank's nature, activities and size, it is transparent, clear and lack of complexity as mentioned before. Adequacy and effectiveness of the internal control systems shall be verified at least once annually.
- The Board of Directors ensures independency and competency of the Internal Audit Department.

- The Bank shall not outsource the duties related to assessing the adequacy of the internal control systems, and other technical and consulting duties to the audit firms that handle the audit of the banks financials statement as mentioned in the Central Bank Instructions in this regards.
- The Bank places high importance on transparency where the Bank's annual report includes a report on the adequacy of the internal control systems as well as the External Auditor's opinion about the internal control systems.

Risk Governance Framework:

The Bank has set and developed robust comprehensive systems & procedures for risk management with a view to determine the nature of all material risks to which the Bank is exposed and spread the culture of risk governance across the Bank. Further, the Bank has identified and overseen risks at the level of each unit and at the Bank wide as a whole. Risk Management is responsible for implementing the Risk Strategy, developing methodologies for identifying and assessing material risks in the bank, measuring the Bank's exposures to such risks and reporting them, monitoring this exposure in view of the Bank's risk appetite, determining the capital needs on an ongoing basis, as well as monitoring and assessing the decisions related to taking certain risks. The risk Governance framework should include well defined regulatory responsibilities for the Risk Management Function which are usually referred to as three lines of defense as follow:

- The first line of defense: It is the Business Line, whose activities have the potential to create risks for the Bank, and therefore their responsibility is to assess and manage such risks.
- The second line of defense: It includes the Risk Management Team and Compliance Functions .These functions are independent of the first line of defense, risk management is monitoring and reporting to the top management and supervising the Bank's risk areas and assessing them independently from the first line of defense to enhance and complete its function. Compliance Department is monitoring the compliance with the laws, regulations and Governance rules.
- The third line of defense: It is the Internal Audit function, which is independent of the first and second lines of defense.

Following are the procedures done by the bank in this regards:

- The Bank has established and developed robust comprehensive systems and procedures for risk management so as to recognize the nature of key risks facing the bank and to spread culture of risk governance across the bank.
- The Bank takes into account any risks which might arise from the launch of new products; or any change in the volume of activities, operating environment, quality of portfolio, or economic environment. These variables should be taken into account while measuring risks. Further, the bank should adopt qualitative and quantitative parameters for the assessment of these risks.
- The board should ensure that the stress tests are periodically performed to measure the Bank's capabilities to withstand shocks and high risks. The Board shall have an active role in approving the assumptions and scenarios used, discuss the results of such tests and approve the actions to be taken based on the results.

Information Security (Cybersecurity Risks)

Within the overall risk governance framework of the bank including information security governance and in view of the increasing importance of Information Security in banking industry and in light of the challenges related to the risks arising from the accelerating development of the modern technologies adopted in this area, the Bank's BOD actively endeavors to deepen the awareness in this field and doing every effort to enhance protection of information security systems and avert such risks and the intrusion risks in line with the latest developments and practices, through preparing & approving the policies & controls pertaining to Information Security & Cybersecurity and establishing an independent & specialized department, equipped with qualified professionals & the required resources, and develops the reporting systems in this regards.

Compliance Governance

The Bank believes that the compliance function is a key component of bank's risk management framework due to the exceptional nature of incompliance risks including legal or regulatory penalties risks, financial risks or reputation risks etc..... which the bank may encounter in the event of incompliance with the rules, regulations, instructions, professional ethics and sound banking practices. The Bank has an independent and active Compliance function which working under the frame of the Compliance policy and its roles and responsibilities that approved by BOD. This function is based on ensuring that the bank meets it vital importance to ensure the Bank's satisfaction of regulations, controls and instructions associated with the Bank's activities, and submit periodic reports to BCGC and BOD.

Internal and External Audit:

The Board of Directors and Executive Management ensure the independency of both the Internal Audit and the External Audit and endeavor to effectively avail the observations and activities conducted by internal audit function & External Auditors as well as the assessment reports of internal control systems, which are considered as independent review of the information submitted from the Executive Management to the Board of Directors.

Internal Audit:

- Ensure that the Internal Audit function is continuously enhanced in terms of providing the sufficient resources and proper training.
- Ensure the independency and competency of the IA staff in terms of they are carrying out their responsibilities independently and effectively, and that the Internal Audit function is staffed with qualified personnel.
- Ensure that the Internal Audit staff are not assigned with any executive responsibilities as well as ensure there is no any potential conflict of interests.
- Internal Audit Division may have access to any information or any staff in the Bank. Further, Internal Audit has been vested with full authority to perform its tasks as required.
- Review and approve the annual audit plan, ensure the scope, procedures and frequency of audit are consistent with the risk profile to which the Bank's various activities.

- Review and approve the internal audit charter that shows the baseline for the Internal Audit function, and being circulated entire the Bank.
- Review and approve the Internal Audit Division Organization structure.
- Internal Audit Division performs its duties and prepares its reports independently. It has the right to discuss its reports with the Bank's audited departments.
- Internal Audit Division has been instructed to focus on risk-based audit.
- Key responsibilities of Internal Audit Division include the following:
 - 1) Verify and evaluate sufficiency and effectiveness of internal control systems, and ensure having comprehensive internal control systems in place for financial and administrative affairs, which are monitored and reviewed on a timely basis.
 - 2) Ensure compliance with the Bank's internal policies, as well as relevant laws, policies, systems and instructions.
 - 3) Inspect certain activities and transactions relating to the Bank's financial position, internal control systems, risk management and etc.

External Audit:

- External audit are conducted as per international standards, local laws and the relevant instructions issued by the Central Bank of Kuwait.
- BAC Meets with the External Auditors to discuss the audit reports provided by them along with the other significant observations about the Bank with the attendance of the Executive Management, also the BAC should meet at least once during a calendar year, without the presence of the Executive Management, with the External Auditor.
- The external audit process is carried out on Dual Audit basis to fulfill the objective of appointing two external auditors.
- The Bank have been approved an external auditors appointment, rotation and independence policy by BOD.
- When the Board of Directors engages external audit firms or other consulting agencies (other than the external auditors of the Bank) to review and assess the internal control systems in order to ensure effectiveness and sufficiency of these systems, then the Board of Directors should draw the attention of these firms and agencies to focus their review on the areas which include high operational risk for the Bank, as well as other significant issues as highlighted in CB reports, observations and guidelines, by state that in his engagement letter.

8. Remunerations' Systems & Policies

The Bank's Board of Directors endeavors to effectively oversee and review the remuneration systems & process to ensure its proper application, The Bank has in place an approved Remunerations Policy covering all aspects and components of the remunerations in the Bank., It is being reviewed annually by the Board Nominations and Remunerations Committee before submission to the Board of Directors for approval.

Main objectives of the Remuneration Policy:

1. Promote effective governance and sound practices for the financial remuneration system in consistency with risk strategy.
2. Attract and retain highly qualified, skilled and knowledgeable professionals required for performing the banking business.
3. Ensure that financial remunerations are linked to the Bank's performance and Risk Timeline, taking into account amending the financial remunerations that may be granted to staff in case of weak or adverse financial performance of the Bank, to match risks on the long term.

Main Features of the Remunerations Policy:

- The Bank adopts remuneration policy that apply to all the employees of the Bank by having in place appraisal mechanism / job progression, and through an approved structure for salaries and benefits that ensures positioning the employees in an appropriate manner.
- Upon determining the salary scale and remuneration in the Bank, the policy takes into account the legal and regulatory requirements in addition to the rules and laws enforceable in Kuwait as well as the level and range of salaries and remuneration in local banking sector.
- Remunerations are divided into fixed remunerations which include basic salary & fixed/ supplementary allowances and variable remunerations which are related to performance and depend on the Bank's financial performance and divisions / departments' role & efforts towards this performance in addition to the staff performance appraisal. The variable remunerations are divided into due remunerations (annual incentive) which may be paid to the staff members after the end of each financial year based on the Bank's financial performance and the staff performance appraisal during this year, and deferred remunerations which may be paid to the staff members over a maximum period of 3 years as per the mechanisms, percentages and categories specified by the Board of Directors, and "Claw back" is applied to the latter type of remunerations that can be adjusted or clawed back in exceptional cases such as weak/adverse financial performance of the Bank.
- As per the Bank's Organizational Structure and Corporate Governance rules, Compliance & Corporate Governance Division, Risk Management Division and Internal Audit Division present their reports to the Board Compliance & Corporate Governance Committee, the Board Risk Management Committee and the Board Audit Committee respectively. However, and from the management perspective, the three Divisions work with a direct reporting line to the Chairman of the Board who in his turn prepares the performance appraisal of heads of both Compliance & Corporate Governance Division and Risk Management Division while the Board Audit Committee prepares the performance appraisal of the Head of Internal Audit Division.

As such, the Executive Management will not have any role in the performance appraisal or promotions or remunerations of the above mentioned heads.

Performance Measurement:

- Performance appraisal for all Banks' staff members under their different grade levels is conducted objectively.
- Performance appraisal and measurement's procedures and processes are clearly documented and provide for the avoidance of conflict of interests.

Disclosure Requirements:

The Bank's annual report contains the most significant aspects of the Bank's remunerations policy, and also includes composition of the Remuneration Committee and its authorities.

9. Disclosure & Transparency

Disclosure is the process of disclosing and revealing financial and non-financial information of concern for the shareholders, potential investors and the public and helps them to take their investment decisions at the proper time, and it is performed on a periodical basis (specific time periods) or on an immediate basis when an issue arises and the related information is completed so that the information shall be available at the same time for all concerned parties and no party shall benefit from the information before other parties.

"Material Information" as per the Capital Markets Authority is any information that is held by the listed company with respect to its activity, identity, financial position or management, not available on the public domain or to the traders, having impact on the company's assets, liabilities, financial standing or the general course of its business and may lead to a change in the price or volume of securities trading or attraction of, or abstention by the traders on such securities or this which may affect the company's ability to fulfill its obligations. However, the Central Bank of Kuwait defined "Material information" as any information that could affect the value of any company's shares, or any information the non-disclosure thereof may affect the economic decisions made by the users of such information.

Within its commitment to firmly establish a transparent business environment as per the best Corporate Governance rules in this regard and with a view to ensure compliance with regulatory instructions, the Bank's Board of Directors approved Disclosure & Transparency policy which includes the Information that should be disclosed and its categorization mechanism, its time and the way of disclosure according to the relevant laws and CB, CMA, and Boursa Kuwait instructions related to disclosure & transparency .

This policy provides a framework for disclosure within the Bank and sets the necessary rules and controls which contribute in fairness & transparency, and to prevent conflict of interests as well as the use of inside information and to promote strong and sound culture for compliance with disclosure by all concerned staff, and to ensure the successful implementation of this policy. The

Bank considers the high quality of disclosed information as a significant requirement the Bank endeavors to fulfill.

A specialized Disclosure Unit has been established and supported with qualified personnel and equipped with the adequate recourses to assume its roles & responsibilities effectively and efficiently for following up all regulatory requirements related to disclosure and transparency, enhance their professional skills specifically with respect to keeping up-to-date with the developments in disclosure, and that should be maintained through necessary training and awareness.

10. Protection of Shareholders' Rights

The Bank's bylaws, policies and practices reflect the provisions of the laws, bylaws and instructions issued by regulatory authorities, such as controls and measures of protecting shareholders' rights, and treating them on equal basis, especially in terms of:

- Protecting shareholders' basic rights related to ownership registration and transfer, participation & voting in shareholders' meetings, sharing profits, and obtaining regular information on the Bank.
- Underlying shareholders' rights to review and participate in the decisions of amending the Bank's Article and Memorandum of Association, including capital amendments arising from offering new shares for shareholders or offering employees share option plan, or share buybacks, as well as the decisions related to unordinary transactions which might affect the Bank's future or activity, like merger or acquisition, sale of a substantial portion of its assets, or relinquishing subsidiaries.
- Encouraging shareholders' effective participation in the General Assembly Meeting and apprising them of voting procedures and rules, including notifying them of the General Assembly Meeting's convening timing and agenda enough time before the Meeting. Further, the location and timing of the Meeting should be published publicly as per relevant laws, bylaws and instructions.
- Each shareholder, during the Ordinary General Assembly Meeting, may discuss and get clarifications from the External Auditor about the issues contained in his report.
- Stressing the importance of disclosing capital structure or any arrangements which might result in certain shareholders controlling the Bank.
- Emphasizing equal treatment of shareholders, including minority and foreign shareholders, and giving them the opportunity to question the Board of Directors and rectify any violations of their rights.
- Providing information to shareholders at the proper time to enable them to exercise their rights to the fullest. Such information must be adequate & accurate and available for all shareholders without discrimination.
- Providing shareholders access to the minutes of the General Assembly Meetings.
- Preparing a statement of financial and non-financial penalties imposed on the Bank during the financial year such statement must be read by the Bank's Chairman at the General Assembly Meeting, as per the Central Bank's relevant instructions.
- Each shareholder, regardless of the number of shares, has the right to attend the General Assembly Meeting, and has a number of votes equal to the number of votes established for the

same class of shares. The shareholder may not vote for himself or his representative in matters in which that he has personal interest or on a dispute between him and the Bank. Any provision or decision to the contrary shall be null and void; any shareholder may appoint another person to attend the General Assembly Meeting on his behalf under a special power of attorney or authorization prepared by the Bank for this purpose.

Also the Bank has General Assembly Meeting Guidelines and Procedures & Shareholders Rights.

11. Protection of Stakeholders' Rights

Stakeholders include any person or entity having relationship with the Bank such as depositors, shareholders, the Bank staff members, creditors, customers, suppliers and any other entity having relationship with the Bank.

The Bank's bylaws, policies and practices must accentuate the importance of respecting stakeholders' rights as per relevant laws, and instructions, it confirms their rights to rectify any violations of their rights in line with the relevant laws, and The Bank realize that stakeholders' rights constitute an essential part of the good governance, as well as, the bank's final success is the fruit of the joint efforts of many parties; depositors, borrowers, staff, investors and other parties having business relationships with banks.

It is worth noting that Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business, as well as rules and instructions issued to banks in respect of the various business activities undertaken by banks, include the controls and the fundamental issues bases which provide protection to stakeholders' rights.

This document is a translation of the original and binding Arabic version. In case of any differences between the Arabic and the English versions, the Arabic version will prevail.