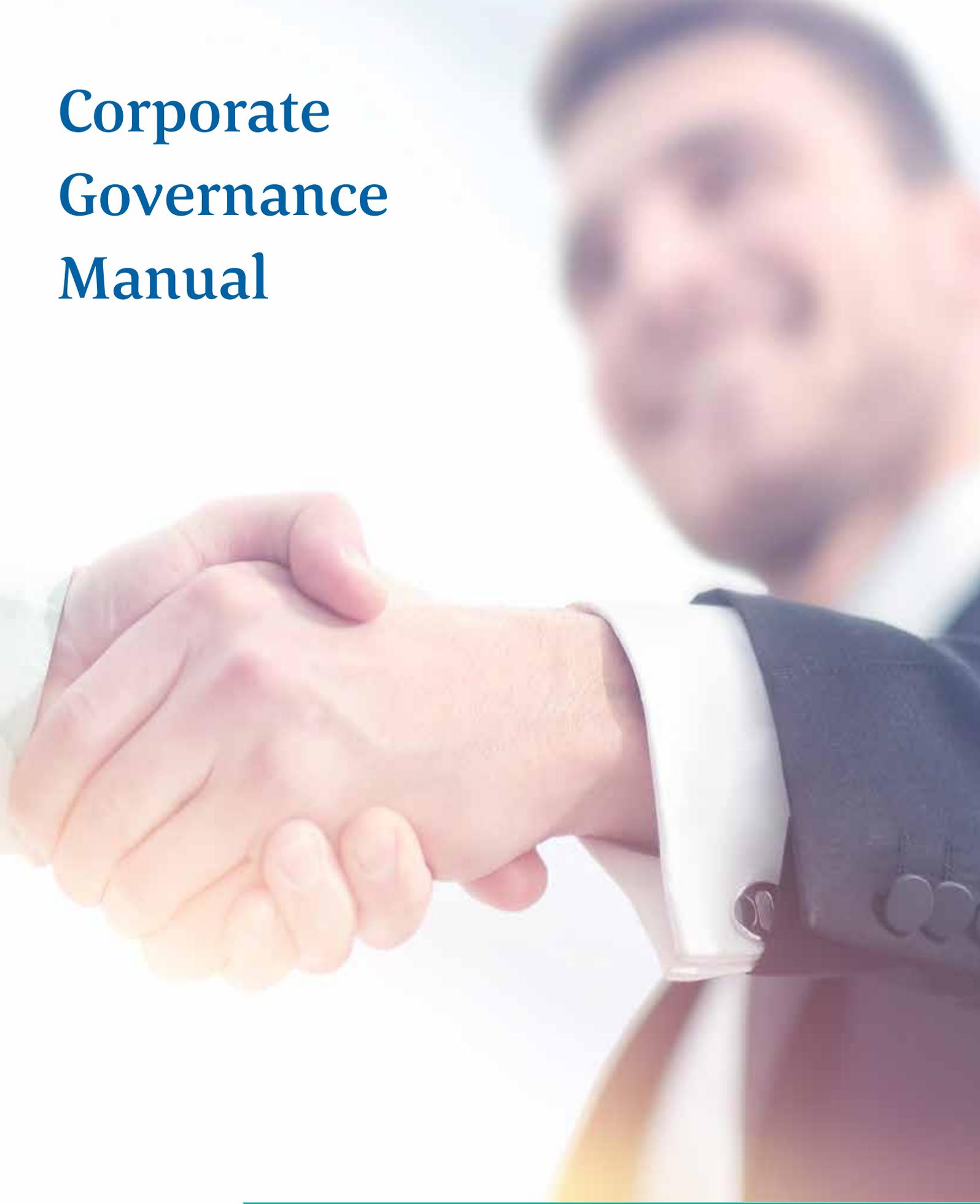


Corporate Governance Manual



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Introduction

The Board, Senior Management and all employees of Kuwait International Bank are committed to effective Corporate Governance and to observing the highest standard of behavior and conduct. KIB is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities.

Our Mission

We are proud that Kuwait International Bank is the first specialized Bank that converts to a Sharia-compliant Bank. We will remain committed to our mission which is to participate in the success of Kuwait economy, serve our customers, provide them with their banking needs, develop their funds and respond to their requirements through adaptation of the best practices and financial banking standards.

We abide by Sharia principles, maximize the Bank's values and assets, maintain the financial and banking stability level and ensure quality of the services provided to our customers in an easy and reliable manner.

Core Values

- Commitment to maintaining the highest level of ethical standards in all transactions.
- Efficiency integrity while interacting with customers.
- Compliance with the provisions of the Islamic Sharia.
- Adherence to regulatory compliance.



Chairman's Message

In the aftermath of recent changes on business environment, the risks overwhelming banking sector have dramatically increased. Therefore, supervisory authorities and number of international organizations such as Basel Committee and the World Bank had to adapt Corporate Governance guidelines besides best applicable practices.

Applications of and commitment to sound Corporate Governance guidelines would definitely lead to sustainable growth of different banking activities. This is achievable via creating business culture that would encourage executive managers and individuals in charge to maximize the Bank's operational efficiency and profitability.

In line with CBK instructions issued on 20 June 2012 concerning the rules and regulations of Corporate Governance in the Kuwaiti Banks which have come into force effective from July 1st 2013, KIB's Corporate Governance Manual has been developed and approved with a view to enhance sound Corporate Governance's principles and to set clear targets on departmental level. This manual reflects the Bank's keenness to apply best international Corporate Governance practices. It is also worth mentioning that CBK has issued Sharia Corporate Governance regulations on December 20th 2016, enforceable as of Jan 1st 2018. Thus, such regulations are also incorporated into the Bank's policies. Hence, it is our pleasure to present to you Kuwait International Bank's Corporate Governance Manual. This manual aims at better understanding and raising awareness of Corporate Governance in the Bank. It is deemed as a valuable reference listing the basics duties and authorities of the Bank's Board of Directors and Executive Management in the framework of sound corporate governance.

Best regards,

Sheikh Mohammed Jarrah Al-Sabah
Chairman

Message from Fatwa and Sharia Board

Praise be to Almighty Allah, and Peace and Blessings be upon Prophet Mohammad, His Blessed Family, Companions and Followers until the Day of Judgment.

It is undeniable that application of an efficient and effective system that confirms trust and confront any imbalances that may arise during the course of Islamic banking business' activities would definitely foster its success and support expansion of operations. Indeed, it all falls under the concept of trust and the responsibility assumed by each individual according to his/her respective expertise, as Allah Almighty said:

“Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Indeed, Allah is ever Hearing and Seeing”

Thus, Islamic economy is truly in real need to develop corporate governance principles for companies and financial institutions with a view to enhance such significant aspect of the stride and businesses of Islamic Sharia-compliant institutions. Implementing corporate governance creates sound work environment founded on trust and noble ethical values that aim to maintain rights and work towards achieving social prosperity, development and wellbeing based on strong belief and good deeds. Guided by the saying of Almighty Allah in the Holy Qur'an, “Whoever works righteousness, man or woman, and has Faith, verily, to him will We give a new Life, a life that is good and pure and We will bestow on such their reward according to the best of their actions. It is actually essential meaning that should be taken into account by one and all in order to attain the targets of this life and the life to come and to gain Allah Almighty' satisfaction while processing transactions.

Besides, in all efficient systems, where good performance and good intentions are established, trust is significantly cherished due to the fact that ethical and religious perspectives constitute a basic aspect of corporate governance. Therefore, we stress that reaching the aspired targets cannot be accomplished with laying down rules, enacting laws and monitoring their application solely but appropriate environment is a prerequisite for supporting the credibility of such rules and laws.

Based on our firm understating, we know that the Islamic Sharia has given due consideration to justice as basic pillar of Sharia-complaint contracts followed by the importance of fulfilling contracts. This is assured in many concerted verses tackling this matter, Allah Almighty stated in the Holy Quran; “O you who have believed, be persistently standing firm in justice, witnesses for Allah and also said “And when you testify, be just

We supplicate to Allah Almighty to guide us to act towards His satisfaction, and to help us realize our aspirations and offer transactions free from any fraudulence and Riba (usury) as well as any acts that may annul authenticity of Islamic Sharia contracts.

May Allah blesses and guides to the straight path

Dr. Abdul Aziz Al-Qassar

Member and Rapporteur of Sharia Board

1- Sūrat I-nisāa (The Women)(verse: 58)

2- Sūrat I-naḥl (The Bees) (verse: 97).Refer to Corporate Governance (Definition with Islamic view) Dr. Mohamed AbdulHalem Omar- Page 8 electronic version.

3- Sūrat I-nisāa (The Women)(verse: 135)

4- Sūrat I-an'ām (The Cattle) (verse: 152)

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.

The key elements of good corporate governance are:

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

Corporate Governance Framework at KIB

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.

Corporate Governance Manual of Kuwait International Bank include the following pillars in coordination with CBK instructions:

- 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 KIB 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. The Board assumes ultimate responsibility for the Bank's business 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 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. Approval of the Board is also obtained prior to appointment of all General Managers (GM) and other 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.

Board Composition

The Bank shall have an adequate number and appropriate composition of Board Members to enable establishing the necessary number of Board standing Committees in conformity with the governance requirements of the CBK.

Board Chairman Role

In the context of the Chairman' role, he/she ensures proper functioning of the Board and maintains a relationship of mutual trust amongst the Board Members. He/she ensures that Board decisions are taken based on sound and well-informed information through conducting proper discussions and dialogue.

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 meeting may be held using the modern communication channels and decisions may be taken by passing all Members of the Board.

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.

Board Secretary

The overall role of the Board 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. He also records the board discussions, Board Members suggestions and results of the voting taking place during the Board meetings.
- Coordinating, organizing and attending Board and General Assembly 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.

Authorizations 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 Members 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 Senior 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 Nomination & Remuneration Committee (BNRC) 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. They should have a clear understanding of their role in corporate governance.

Ongoing Training & Development

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

Effectiveness

At least once annually, the Board Nomination & Remuneration Committee shall review and assess the performance of each Board Member independently and the performance of all Board Members as a whole.

Reference Documents:

- Board Charter
- Chairman Job Description
- Nomination & Remuneration Committee Charter
- Delegation of Authority Matrix

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

Corporate Ethics & Values

The Board through the Code of Conduct and Ethics 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.

In line with the bank’s applicable controls, staff are able to directly communicate with the Chairman and to report their concerns towards any suspected violations that might be committed by any individuals in the Bank (Whistleblowing policy).

The Code of Conduct and Ethics 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 as indicated in the annexures of this manual.

Conflicts of Interest

The Board has a formal written Conflicts of Interest Policy 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;
- 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 maintains 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 and as required by the local regulatory authorities including the CBK.

Banking Confidentiality

The Bank gives the highest priority to confidentiality as a corner stone of its banking business and in its dealings with its customers, whether depositors, borrowers, investors or otherwise, as well as its other stakeholders.

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 retain banking security.

Policies should insure 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 monitors the proper implementation of all such policies.

Group Structures & Bank Board

The Board shall be fully cognizant of the financial risks and issues that may affect the Bank as a whole and its affiliates so that such affiliates are sufficiently supervised. In addition, due consideration shall be given to the legal independency of governance responsibilities of the Board Members of such affiliates.

Committees that are formed from the Board of Directors

The Board, without abdicating its own direct responsibilities, shall form the following standing Committees to increase the efficiency of control over the Bank's key operations and the following Committees:

- Governance Committee
- Nomination & Remuneration Committee
- Audit Committee

- Risk Management Committee
- Finance and Investment Committee
- Strategy Committee

The Chairperson of the Board may not be a Member of the Audit, Risk Management and Nomination & Remuneration Committees. Each Committee has a Charter setting out its responsibilities, including:

- Membership qualifications
- Number of meetings
- Committee authority
- Reporting obligations to the Board

The following is a list of Committees emanating from the Board of Directors and its functions:

Board Corporate Governance Committee

The Board Governance Committee shall form the Governance Committee from the Board Members and it shall comprise minimum of three non-executive Members, from among them, the Chairman and Deputy Chairman of the Committee. All Members shall be voting Members. However, Head of Internal Sharia Audit Department shall take part in meetings of this Committee to discuss the Sharia supervision related subjects, without having the right to vote on resolutions passed by the Committee. In case of absence of the Committee Chairman and Deputy Chairman, the Chairman shall appoint a replacement Deputy Chairman from amongst the Board Members to attend a specific meeting or for a certain period of time.

The Committee quorum shall be as follows:

- Attendance of two Members (in case of three Members Committee).
- Attendance of three Members (in case of four or five Members Committee).
- Attendance of four Members (in case of six or seven Members Committee).
- Attendance of five Members (in case of eight Members Committee).

The Committee will meet as often as may be deemed necessary or appropriate in its judgment, but a minimum two times each year.

Responsibilities of the Corporate Governance Committee:

Supervise updating the corporate governance manual of the Bank, follow-up implementation of the rules and controls therein specified, monitor its compliance by the relevant parties, and provide reports to the Board on the same. Review and assess the adequacy of the Bank's practices on corporate governance including the corporate governance guidelines of the Bank and recommend any proposed changes to the Board for approval. Review and assess the adequacy of the bank's Code of Conduct and Ethics and monitor that the principles described therein are being incorporated

into the Bank's culture and business practices. Review requests for any waiver of the Bank's Code of Conduct and recommend to the Board whether a particular waiver should be granted. Coordinate with Sharia Supervisory Board and Audit Committee to ensure compliance with Sharia Audit manual and for protection of investment accounts holders.

Board Nomination & Remuneration Committee

It is formed of the Board of Directors and consists of at least three non-executive Members including the Committee Chairperson. In case of absence of quorum, the Committee Chairman may nominate any Board Member to attend the Committee meeting. In addition, although the CEO and the GM-HRD must be attending the meeting, yet they may not be present, if not so required. The Committee will meet as often as may be deemed necessary or appropriate in its judgment, but a minimum two times each year.

The Committee quorum shall be as follows:

- Attendance of two Members (in case of three Members Committee).
- Attendance of three Members (in case of four or five Members Committee).
- Attendance of four Members (in case of six or seven Members Committee).
- Attendance of five Members (in case of eight Members Committee).

The key nomination functions of the BNRC include but are not limited to:

Giving recommendations to the Board of Directors 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 for each nominated Member and conducting an annual review on the Board structure and giving recommendations about the proposed changes serving the Bank's interests. Control and ensure the transparency of appointing, reappointing and cancelling Membership of Sharia Supervisory Board Members. Besides, ensuring transparency of determining incentives and compensations in consistency with the roles and responsibilities of Sharia Supervisory Board Members in preparation for getting the same approved by the Annual Assembly. Drafting incentives policy and submitting the same for Board approval and supervision as well as to carry out independent revision for incentive policy regularly or, as may be recommended by the Board, and submit appropriate amendment recommendations to the Board.

Board Audit Committee

The Audit 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 Committee shall be qualified and experts in financial business. The Manager of Internal Sharia Audit Department shall participate in the Committee meetings to discuss the subjects related to Sharia audit, however he shall have no voting rights. The Audit Committee is authorized to obtain any information from the CEO and is entitled to invite any General manager or Board Member to its meetings. The Committee holds its meeting once quarterly, provided however that the Committee meetings are no less than four on annual basis. The Committee quorum will be made by attendance of no less than three Members in each meeting.

The Committee quorum shall be as follows:

- Attendance of two Members (in case of three Members Committee).
- Attendance of three Members (in case of four or five Members Committee).
- Attendance of four Members (in case of six or seven Members Committee).
- Attendance of five Members (in case of eight Members Committee).

The Audit Committee is responsible for reviewing the following:

Review the Bank's internal and external audit scope, results and adequacy and accounting issues of a substantial impact on the Bank's financials, and ensuring that the resources available are sufficient for the monitoring functions, ensuring the adequacy of human resources allocated to supervisory functions, reviewing the Bank's financials before presenting them to the Board to ensure that necessary revisions are sufficient. Including monitoring the extent of compliance with Islamic Sharia provisions and principles. Monitor the use of registered investment accounts funds and ensure that the expenses and profits are distributed as per agreed between the Bank and the account holder in accordance with Islamic Sharia Principles as well as the rules approved by the Bank' Fatwa and Sharia Board. Consider effectiveness of the Bank's regulations set for monitoring compliance with Islamic Sharia principles as approved by the Bank' Fatwa and Sharia Board. The Audit Committee holds its meeting with External audit, Internal audit, Compliance officers once a year without the executive management presence.

Board Risk Management Committee

The Board Risk Management Committee shall be formed of three Board non-executive Members including the Committee Chairperson. However, the Chairman of the Board of Directors shall not be a Committee Member.

The quorum shall be made as follows:

- Attendance of three Members out of a total number of four or five Members.
- Attendance of four Members out of a total number of six or seven Members.
- Attendance of five Members out of a total number of eight Members.

The Committee shall meet as business needs dictate during the year with no less than four meetings annually preferably during each quarter of the year. In case of absence of the Committee Chairman and the Deputy Chairman, the Chairman shall appoint an acting Chairman from the Board Members to attend certain meetings or for a certain period of time.

The Committee responsibilities include:

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. BRMC shall follow-up the banking transactions that utilize Musharaka , Mudaraba or any other form approved by Sharia Supervisory Board. The Committee responsibilities extend to the following:

- Carry out regular revisions for assets performance in Musharaka and Mudaraba transactions.
- Lay down strategies for Musharaka and Mudaraba transactions.
- Update the board regularly concerning any significant progress related to Musharaka and Mudaraba transactions.

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 Board Risk Management Committee prior to the Board's approval. The GM – Risk presents reports directly to the Chairman of Risk Management Committee. Senior Management shall be responsible for implementing these strategies in addition to developing the policies and procedures for managing. However, RMD shall monitor the extent of compliance with the standards issued by the Islamic Financial Services Board (IFSB) including Sharia risks, the credit, market, and operational risks defined by Basel, all in accordance with Sharia Supervisory Board resolutions and CBK related regulations.

 **Board Finance & Investment Committee (BFIC)**

The Board Finance & Investment Committee shall be formed of three Board Members including the Committee Chairperson and Deputy Chairman.

The Committee quorum shall be as follows:

- Attendance of two Members (in case of three Members Committee).
- Attendance of three Members (in case of four or five Members Committee).
- Attendance of four Members (in case of six or seven Members Committee).
- Attendance of five Members (in case of eight Members Committee).

The Committee will meet as often as may be deemed necessary or appropriate in its judgment, but at a minimum, once every month. In the absence of both the Chairman and Deputy Chairman of the Committee, the Chairman will appoint an Acting Chairman for a specific meeting or period.

Responsibilities of the Board Finance & Investment Committee:

The Committee roles is to protect and guarantee the quality of the Bank's assets and to ensure the exposure of the financing and investment risk continued adherence by the Bank to all guidelines and regulations of the Central Bank of Kuwait as well as approved policies and procedures of the Bank. It also ensures that financing operations generate the highest returns without affecting the Bank's financial stability negatively and that Executive Management is fully aware of and continuously monitors the investment and financing risks encountered by the Bank. The Committee also follows up NPL and takes appropriate corrective actions in order to safeguard the Bank's rights and maintain the quality of its assets.

Board Strategy Committee

The Board Finance & Investment Committee shall be formed of three Board Members including the Committee Chairperson and Deputy Chairman.

The Committee quorum shall be as follows:

- Attendance of two Members (in case of three Members Committee).
- Attendance of three Members (in case of four or five Members Committee).
- Attendance of four Members (in case of six or seven Members Committee).
- Attendance of five Members (in case of eight Members Committee).

The Committee will meet as often as may be deemed necessary or appropriate in its judgment, but at a minimum, once every two months. In the absence of both the Chairman and Deputy Chairman of the Committee, the Chairman will appoint an Acting Chairman for a specific meeting or period.

Responsibilities of the Board Strategy Committee:

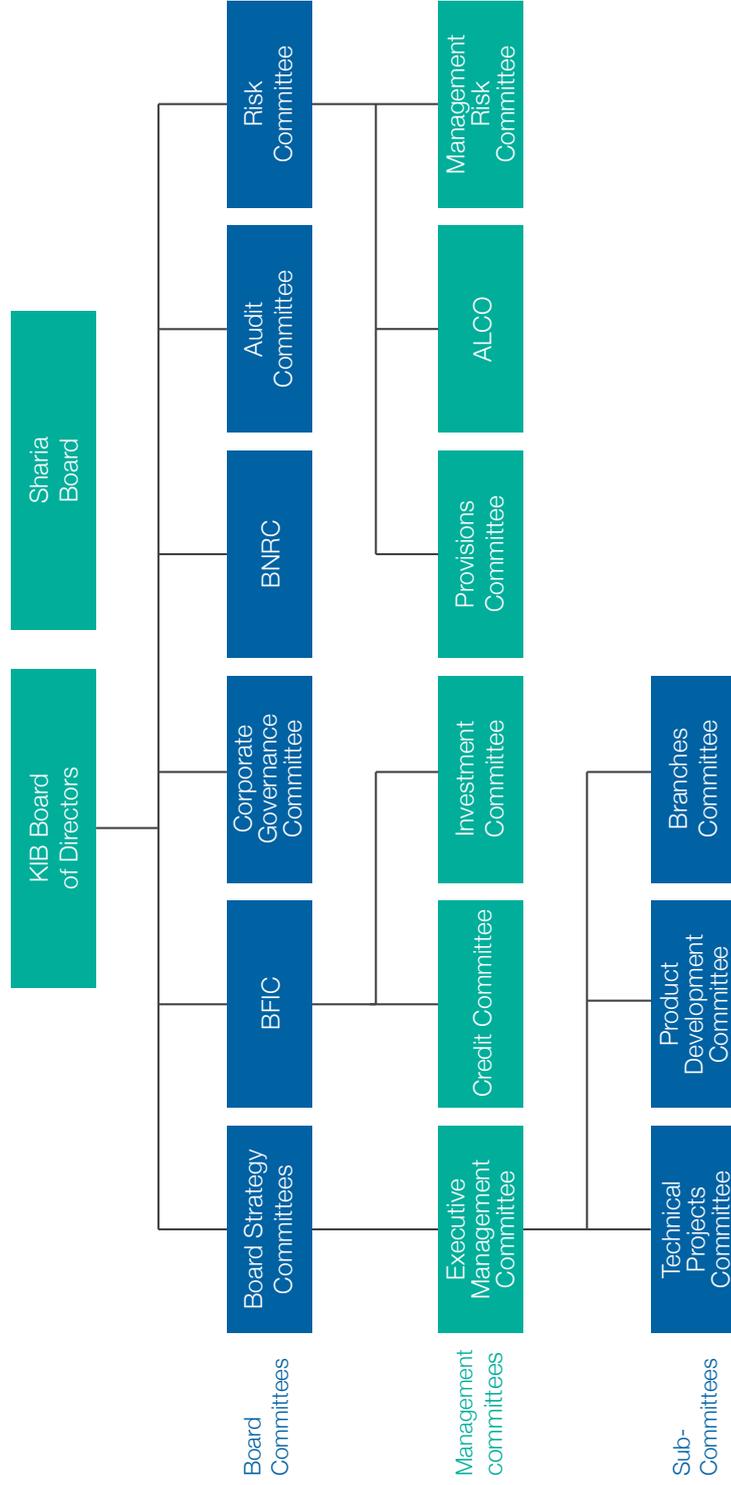
The Committee shall supervise strategy implementation process and shall take relevant decisions. It shall provide necessary recommendations to the Board of Directors and its Committees with respect to the expenses pertinent to strategy implementation as well as any changes to the Bank's organizational structure on the Bank's level, in general, and on departmental level in particular. The Committee shall be subject to the supervision of the Board and shall act on temporary basis throughout strategy implementation tenor. The Committee shall be re-formed at the beginning of each Board of Directors' term.

Executive Management Committees

The following are the Executive Management Committees reporting to the CEO of the Bank:

- **Executive Management Committee (EMC):** EMC is responsible for following up implementation of all administrative projects and all matters related to HRD, IT, purchases, and administrative affairs. As subordinates to this Committee, the following Committees were offshoot; Branches Committee, Product Development Committee and Technical Projects Committee.
- **Investment Committee:** Investment Committee is responsible for reviewing and approving proposals for investments within the authority delegated to it in line with the approved delegation of authority, recommending new investment proposals to the BFIC, on all proposals that are beyond its delegated authority; reviewing and, if thought fit, recommending any proposal for sale, buyouts, mergers, acquisition or liquidation of existing financial or direct investments to BFIC; presenting to BFIC, for its review those investment proposals approved by the Investment Committee; reviewing on a periodic basis the Bank's investment portfolio, including but not limited to, adherence to limits, and recommending suitable corrective actions to the BFIC; and evaluating investment key performance metrics based on a comparison of actual returns, and with such other benchmarks.
- **Credit Committee:** Credit Committee is responsible for reviewing and approving proposals for financing within the authority delegated to it and conducting periodical reviews of the same; providing recommendation to BFIC or the Board, as appropriate, on all proposals that are beyond its delegated authority; reviewing and approving proposals for bank lines, including limits for correspondent banks, country limits and sectorial limits within its delegated authority; providing recommendation to BFIC, as appropriate, on all financing proposals that are beyond its delegated authority; reviewing and approving proposals for legal actions and/or any other action plan on problem financing within its delegated authority and making suitable recommendations to the BFIC, as appropriate, on all proposals beyond its delegated authority; annually evaluating the Bank's financing performance and comparing it to past periods; and presenting to the BFIC, for its review those financing proposals approved by the Credit Committee.
- **Provisions Committee:** The Committee is entrusted with analyzing and assessing risk exposures to the approved credit facilities and investments with a view to make the required provisions in compliance with CBK requirements and IAS.
- **Asset and Liability Committee:** The Committee is the decision-making body for all matter pertinent to the optimum balance of assets and liabilities in the short, medium and long term to ensure profitability increase aligned with compliance with regulatory bodies' requirements.
- **Risk Management Committee:** RMC is the decision-making body for all matters pertinent to market and profitability risks, Capital Adequacy Standard, and ICAAP on the short, medium and long terms. This will eventually reinforce business growth, increase profitability and ensure compliance with regulatory requirements. The Committee meets on monthly basis, however it may convene further meetings upon the Committee Chairperson's request.

KIB GOVERNANCE STRUCTURE



References:

- Code of Conduct and Ethics
- Conflict of Interest Policy
- Transactions of Related Parties Policy
- Banking Confidentiality Policy
- IT Security Policy
- Corporate Governance Guidelines Policy
- Board of Directors Committee Charters

Pillar 3: Senior Management

The CEO, Bank's GMs and a core group of qualified and experienced deputies and assistants are responsible for implementing the Board-approved policies. The Senior Management, operating under the direction of the Board, ensures that the Bank's activities are consistent with the business strategy, risk appetite and the Board-approved policies. 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 and risk control, independence of functions and segregation of duties. They provide the Board of Director with periodic transparent and objective financial and administrative reports every two months.

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 the CEO's delegated authority to the Board
- Ensuring that all actions comply with the Bank's policies and with the law
- All actions delegated to the CEO's 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 Board Nominations and Remuneration 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.

Reference Documents:

- CEO Job Description
- Job Descriptions of the Bank's Senior Management

Pillar 4: Risk Management & Internal Controls

Internal Controls System

Internal Control Systems

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 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 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 ("Whistleblower"). The Bank ensures that whistleblowers 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 Management Committee have established comprehensive policies on risk oversight and management. That policies describe roles and responsibilities of the Board, the Risk Management Committee, the GM – Risk.

The GM – Risk Management is responsible for the Bank's risk management function and has direct access to the Board Chairman and the Chairman of the Board Risk Management Committee. The GM- Risk has the authority to influence the Bank's decisions pertaining to exposure to risks. The GM – Risk is appointed by the Board and cannot be fired or removed 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 exposures. While the Risk Management function is independent of the other business units, it has access to all operation business lines in the bank, so as to understand them or request certain related information to assess exposures in an appropriate way.

Internal Audit

The Bank has in place an independent Internal Audit function headed by the General Internal Auditor, through which the Board and Senior Management, 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 General Internal Auditor is appointed by the Board and reports to the Audit 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 key responsibilities of the Internal Audit function include the following:

- Verifying the sufficiency and effectiveness of internal control systems and ensure that the internal control systems pertinent to financial and administrative issues are comprehensive and are being reviewed on timely manner.
- Verifying that the Bank's internal policies are in full conformity with the relevant laws, policies, regulations and instructions.
- Examining 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 enables an environment of good corporate governance as reflected in the financial records and reports of the Bank. The Bank's external auditors are selected and appointed by the shareholders upon recommendation of the Audit Committee and the Board.

The Audit Committee has set appropriate standards to ensure that the external audit process is carried out by applying the Dual Audit methodology. The external auditors provide the Board Audit Committee with audit reports and meet with the Audit Committee to discuss these reports and any other significant observations on the Bank's issues. The Audit Committee shall meet with the external auditor a least once annually in the absence of the Senior Management.

The external auditors of the Bank cannot provide any services related to internal audit to the Bank. The Bank ensures any other non-audit work performed by the external auditors does not conflict with the functions of the external auditor.

The audit firm's partner in charge of the Bank's audit is required to be rotated every four years or less.

References:

- Policy and Procedures Bank's Manual
- Organizational Chart
- Job Descriptions for Key Functions
- Risk Management Policy and Procedures
- Risk Management GM Job Descriptions
- Internal Audit Manual
- Risk Committee Charter
- Audit Committee Charter
- Whistleblower in Code of Conduct Charter

Pillar 5: Remuneration Policies and Systems

Remuneration Policy

The Board actively oversees 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 Nominations and Remuneration Committee provides guidance to the Board in respect of all remuneration related matters.

The Bank's Salary Administration 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 and professionals. Revision of remuneration policy with a view to ensure its appropriateness and effectiveness shall be part of risk management function in the Bank.

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

- Fixed Remuneration
- 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.
- Any reward should be used to align the interests of Senior Management with shareholders.
- The Bank has approved performance appraisal process for evaluating and measuring staff performance at all levels objectively. The variable remuneration is linked with performance.

- The Bank's strategy 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.

References:

- Salary Management Policy
- Performance Management Policy
- Nominations and Remuneration Board Committee Charter

Pillar 6: Disclosure and Transparency

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.
- Complying with the obligations under the CBK rules and regulations.
- providing full and timely information to the capital market about the Bank's activities.
- Information and data included in the Bank's annual or quarter reports, 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 in accordance with the CBK instructions and CMA

The Bank has a Disclosure Unit and the Board has approved the Disclosure Manual including the policies and procedures to be followed by the Unit for the reporting of sensitive information to the capital 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 Bank shall maintain, record, and regularly update the information of the Board of Directors and the Executive management as may be required by the regulatory entities.

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 Disclosure Manual 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 according to the law and controls.

Reference:

- Disclosure Manual

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.

Incorporation of New Structures

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

Having 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.

The ability to collect information on the Bank's structure, including type, charter, ownership structure, and activity of each legal entity.

Observing the risks associated with complex structures, and void establishing unnecessary complex financing structures.

Reference:

- Investment Manual

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 Articles and Memorandum of Association 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 Article and Memorandum of Association, 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 on any General assembly meeting 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 of any decision 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.

Reference Documents:

- Protection of Shareholder & Stakeholder Rights Policy
- Articles and Memorandum of Association
- Board Charter

Pillar 9: Protection of Stakeholders' Rights

Stakeholders are relevant to the success of an entity. The Board understands that the Bank's final success is the outcome of the joint efforts of many parties including its depositors, borrowers, staff, investors and other parties having business relationships with the Bank. The Bank's various procedures, policies and practices accentuate the importance of respecting stakeholder rights as per relevant laws, bylaws and regulations. The Board supports, as part of its Corporate Governance system that:

The interests of all stakeholders' legal rights are respected.

Rights of Stakeholders:

- Right to be treated on a just and equitable basis.
- Rights to open and clear disclosures of the relevant information.

Reference Documents:

- Protection of Shareholder & Stakeholder Rights Policy
- Articles and Memorandum of Association
- Board Charter

Manual Owner Responsibilities

The Board Governance Committee is responsible for updating 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 both in English and Arabic Languages.

The Corporate Governance Unit of the Bank shall establish a system to determine and measure compliance with this Manual. Any violation thereof shall be reported to the Board Governance Committee who may report the same to the Board.

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, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the [provision of this Manual](#):

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation.
- The duration of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of termination of services shall be imposed. 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 Board Governance Committee shall be responsible for determining violation/s through notice and hearing and shall recommend the imposable penalty for such violation, and to be reviewed and approved by Board.

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