

Governance Manual

Version : 3
Confidentiality Level : 4

Corporate Governance Manual

Preamble

In line with the key pillars for adopting and implementing a corporate governance structure as per highest professional standards and practices, Boubyan Bank (the “Bank”) has prepared and issued this Manual to reflect the Bank’s responsibility and commitment towards the best practices, stakeholders’ rights and corporate social responsibility.

This Manual has been prepared to serve as a guide for all stakeholders, including the Board of Directors, the Executive Management, and the Bank’s employees with regard to the adoption of sound governance principles. Accordingly, these concerned parties are responsible for adhering to this Manual or any subsequent amendments or updates, which may be introduced thereto.

This Manual has been prepared in line with the instructions of the Central Bank of Kuwait (“CBK”) regarding the Principles and Requirements of Governance, which are the main reference of this Manual as the Bank is fully committed to implement these instructions. Furthermore, the Bank’s Corporate Governance Manual (the “CG Manual”) is structured based on the nine pillars of governance provided under the CBK’s instructions.

The Manual aims to ensure a proper Corporate Governance system through adopting the following concepts:

- Discipline
- Transparency
- Independence and Objectivity
- Accountability
- Responsibility
- Social Responsibility

The Manual refers to a set of appendices as supporting documents and integral parts. However, any amendments to the supporting appendices may be independently processed from this Manual. Accordingly, any subsequent amendments to the appendices are effectively and automatically updated as a part of this Manual.

This Manual has been reviewed by the Board’s Governance Committee in its meeting held on **24/12/2019**.

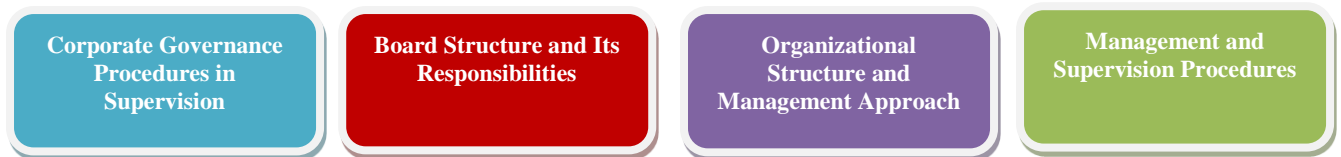
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A. Introduction

- ❑ Boubyan is committed to adopting and implementing a sound governance system based on the highest professional procedures and in line with the instructions of the Central Bank of Kuwait (“CBK”) regarding corporate governance. This aims to add value for shareholders and to emphasize dealing in line with the Islamic Sharia and the ethical, legal and transparency principles.
- ❑ Corporate Governance covers the organization of the relationship among the Executive Management, the Board of Directors, the shareholders, and other stakeholders.
- ❑ The Corporate Governance Framework provides a structure, which aims to achieve the goals of the Bank and monitor its performance. This framework is represented in the following:



- ❑ The Corporate Governance system protects the rights of all of the Bank’s stakeholders including shareholders, depositors, borrowers, employees, regulatory authorities and the society as a whole.
- ❑ Corporate Governance has become one of the priorities of the economic reform in most of the countries following the Financial Crisis of **2008**, where the weak governance was considered as one of the main reasons for the crisis due to the following signs:
 - Weakness of the Board’s supervisory role.
 - Management’s remuneration system based on short-term goals.
 - Weak correlation between risks’ evaluation, incentives and internal controls.
- ❑ Corporate Governance is a key indicator of proper management, which provides shareholders, depositors and regulators the needed confidence and trust in the Board of Directors and its Executive Management’s ability to manage risks.
- ❑ Proper governance is very important for banks owing to the risks and consequences that may arise from improper procedures in banks’ activities since banks have an active role in the economic cycle and significant impact on the society. Hence, establishing proper governance procedures and complying with the same by the banking industry has a significant impact on financial and monetary stability of countries.

- ❑ The corporate governance instructions of the CBK, which were issued on 20th June 2012 and updated on 10th September 2019 are based on the following nine pillars:



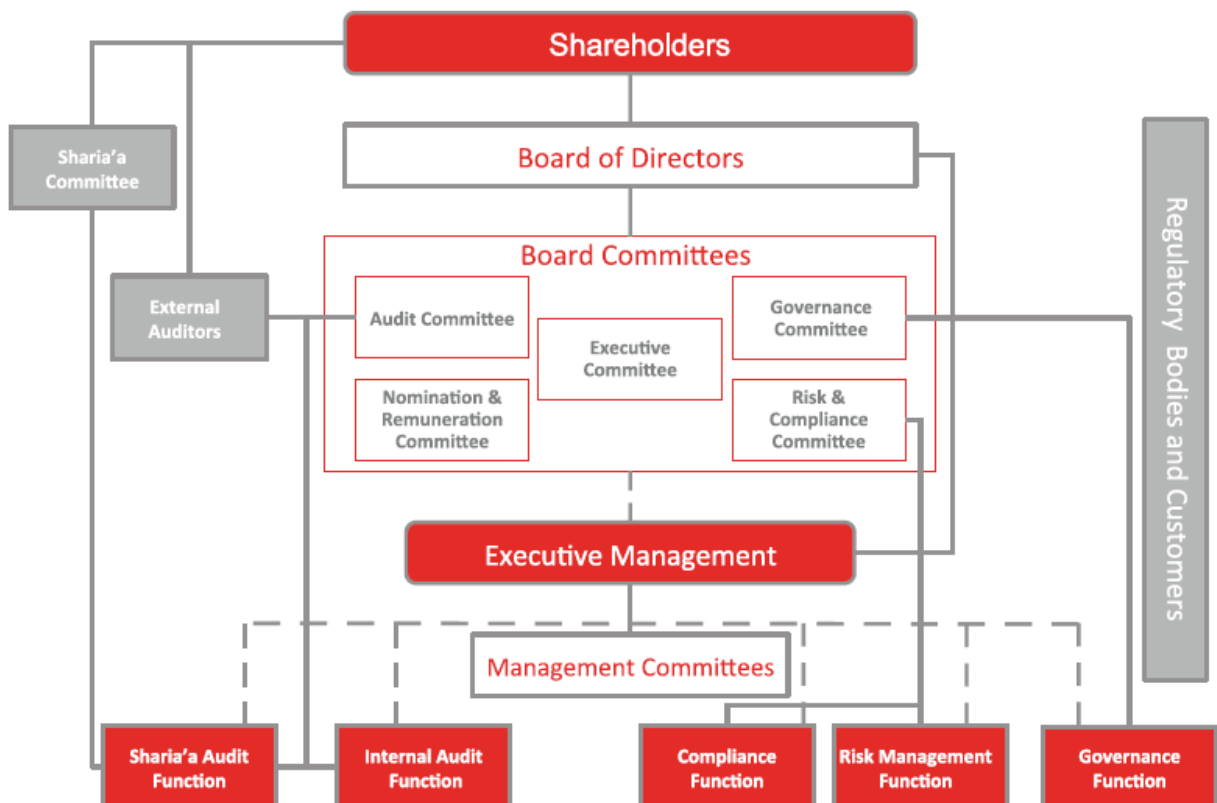
- ❑ The Corporate Governance Manual is reviewed by the Board Governance Committee once every three years or as deemed necessary in order to continue adopting the highest standards and professional practices and to verify compliance with the same. In case of any recommended amendments or updates to this Manual, the same will be presented to the Board of Directors for review and approval.

B. Role of the Board

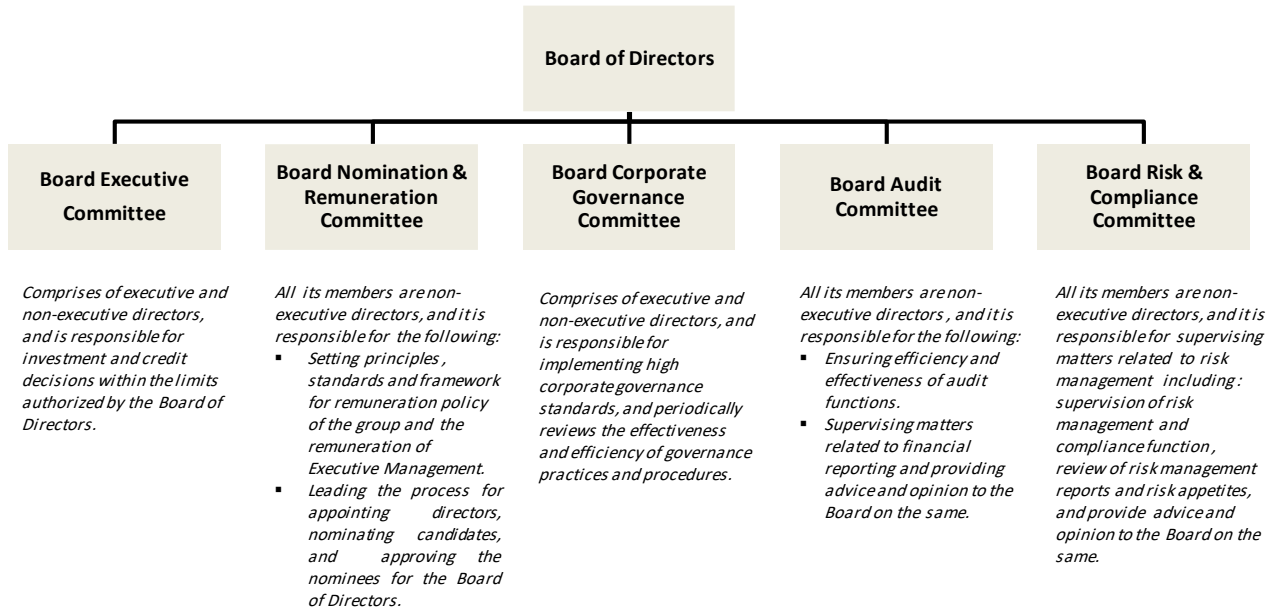
- ❑ The Board assumes the full responsibility of the Bank activities that includes setting the Bank's strategic goals, risk strategy, corporate governance standards in addition to the responsibility for implementing these goals and standards, as well as, overseeing the proper implementation thereof and supervising the Executive Management. This means that the role of the Board is not only limited to the concept of profitability and paying sufficient attention to the impact of risks on depositors' interests and the financial stability.
- ❑ The bank periodically prepares a 5-year strategy, which is approved by the Board.
- ❑ The Board approves the risk strategy, which includes the Bank's risk appetite.
- ❑ The Board has a charter covering the following:
 - Board's roles and responsibilities and the qualifications of its members.
 - Board's formation.
 - Role of the Chairman and the Vice-Chairman
 - Duties of the Board Secretary
 - Organization of the Board's works.
- ❑ The Board determines the authority limits for financial transactions, and reviews and approves the same.

C. Corporate Values, Conflict of Interests, and Group Structure

- ❑ The Board determines the proper governance practices for its works, and ensures the availability of all the means to comply with such practices, along with regularly reviewing the same for improvement.
- ❑ The Board approves the “Code of Conduct & Ethics” for the Board of Directors and the Executive Management, and the “Conflict of Interest Policy” for the Board and the Executive Management.
- ❑ The Bank has an appropriate mechanism in place for dealing with customers’ complaints in line with the instructions of the Central Bank of Kuwait.
- ❑ The Board approves the “Related Party Dealings’ Policy”, which is in line with the International Financial Reporting Standards and the requirements of any supervisory or regulatory bodies.
- ❑ In line with the banking secrecy principle, the Board approves the “Bank Secrecy and Confidentiality Policy”.
- ❑ The Board approved the below Corporate Governance Structure:



- ❑ The Board formed the main Board committees, comprising of executive and non-executive members as per the Corporate Governance requirements. The chairperson of each committee is required to submit a quarterly report to the Board on the activities of the respective committee. These committees have charters approved by the Board. Below is a summary of the duties of the key Board committees:



D. Executive Management:

- ❑ The Executive (Top) Management ensures that the Bank’s activities are aligned with the Bank’s overall strategy, risk appetite, and the policies approved by the Board.
- ❑ The Bank formed various committees at the level of Executive Management such as the Management Executive Committee and other committees, and the scope of work and members of these committees were determined.
- ❑ The Bank has a Succession Plan in place covering the support and development of the skills of employees who enjoy leadership abilities and qualifications.

E. Risk Management and Internal Controls:

- ❑ The Board ensures the adequacy and efficiency of the Internal Control and Risk Management Systems at the Bank, along with ensuring the independency of these functions.
- ❑ The Board has approved procedures that enable employees to contact the Chairman to communicate their fears about any potential violation (“Whistleblowing”).
- ❑ The Risk Management, Compliance, and Internal Audit functions have appropriate independency, and the Board ensures that all the necessary resources for these control functions are provided to undertake their roles effectively.
- ❑ The Bank sets the criteria and policies related to the appointment of external auditors in addition to their roles.

F. Remuneration Policies and Schemes:

- The Bank has remuneration systems and policies in place based on the performance measurement, and they are conforming to risk-taking prudence and are linked to long-term goals and performance.

G. Disclosure and Transparency:

- The Bank is committed to transparency towards all stakeholders including: shareholder, depositors, investors, and others.
- The Board approves the Disclosure and Transparency Policy, which covers governance requirements.
- The Bank adopts a Corporate Social Responsibility Policy as part of the Corporate Communication Policy.

H. Complex Corporate Structures:

- The Bank has a clear and non-complex structure under its group of subsidiaries.
- The Bank has a clear policy concerning the management of the group's companies and its structure.

I. Protection of Shareholders' Rights:

- The Bank approves policies as per governance requirements to protect the shareholders' rights, including minority shareholders. The policies cover the entitlement to hold the Board accountable and to correct any breach of shareholders' rights.

J. Protection of Stakeholders' Rights:

- The Bank approves policies concerning the protection of stakeholders' rights in a manner that secures their rights as per governance requirements.

K. The Fatwa and Sharia Supervisory Board:

- The Bank is committed to work in compliance with the Noble Islamic Sharia Principles in all its transactions.
- The Bank is subject to Sharia supervision by the Fatwa and Sharia Supervisory Board, which has an approved charter and scope of work.
- The Bank has an independent Sharia Internal Audit function.

L. Appendices:

The below documents represent an integral part of the Corporate Governance Manual.

Ref:	Appendix
1	Board Charter
2	Strategic Plan
3	Risk Strategy
4	Authority Matrices
5	Code of Conduct & Ethics for the Board of Directors, Executive Management and Employees
6	Conflict of Interest Policy for the Board and the Executive Management
7	Customers' Complaints Policy
8	Related Party Transactions Policy
9	Bank Secrecy and Confidentiality Policy
10	Information Security Policy
11	Board Committees Charters/Scope of Work
12	Management Committees Charters/Scope of Work
13	Succession Plan
14	Whistleblowing Policy
15	Internal Audit Charter
16	External Auditors Policy
17	Remuneration Policies and Schemes
18	Disclosure and Transparency Policy
19	Corporate Communication Policy
20	Group Structure Policy
21	Shareholders Rights' Protection Policy
22	Stakeholders Rights' Protection Policy
23	The Fatwa and Sharia Supervisory Board's Charter/Scope of Work