

Commercial Bank of Kuwait
Corporate Governance Manual

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1. Introduction

Good governance is one of the most important cornerstones for promoting soundness and stability of a country's economic sector. The importance of governance has come to the fore and taken center stage in the economic administrations of various countries as a result of the financial crises that have engulfed major public companies, leading to a loss of confidence in the soundness of corporate management, the accuracy of their published financial results, and the true value of their share prices on the stock markets. Weak governance standards and failures to apply sound practices were among the factors that contributed to the outbreak of global financial and economic crises; and as a result of the lessons learnt from these financial crises, several new international regulatory standards have been issued by various bodies, most notably the paper published by the Basel Committee on Banking Supervision, which sets out principles for strengthening governance in banks and companies.

Governance in the banking sector is of particular importance given the magnitude of the risks and repercussions arising from improper practices in banking, in light of the nature of the role played by banks in economic life and the depth of their relationship with society as a whole—including depositors, borrowers, shareholders and employees, and in view of the nature and importance of the products and services that banks provide to the country's economy, as well as the encouragement to develop products and services that support sustainability. Sound governance practices in banks are therefore vital for each individual bank and for the financial system as a whole, making effective governance one of the key pillars of financial stability.

It is worth noting that the concept of sound management is not new to the Kuwaiti banking sector, as the Central Bank of Kuwait has previously issued various circulars on the principles of sound management and internal control systems, in addition to the provisions of the Companies Law and its implementing regulations relating to corporate governance. As part of its governance requirements, the Central Bank of Kuwait has issued instructions regarding the rules and systems of governance in Kuwaiti banks; and since the correct application of governance standards leads to enhanced confidence in the banking system, and are essential for the smooth functioning of the banking sector and the performance of the macroeconomics, conversely, weak governance standards may lead to disruptions in the banks' operations, resulting in high costs for the State and consequences with far-reaching effects on the economy.

2. General Principles

The Commercial Bank of Kuwait the "Bank" is always committed to establishing sound governance rules and systems, as these are considered a key factor in laying the foundations for sound management within the Bank. The Bank has a range of internal regulations, policies, procedures, frameworks and operational manuals covering all its banking activities. It is also committed to following best practices aimed at establishing the foundations of sound management within the Bank and promoting a culture of governance, as well as the concept of sustainability.

The Bank continues to strengthen its strategy, policies, procedures and practices with a view to effectively implement all laws, directives and standards issued by various regulatory authorities regarding good governance and sustainability in order to protect the Bank, its interests and those of its shareholders, depositors, creditors, customers, employees and other stakeholders, and to preserve natural resources, safeguard the environment and promote community service. The Bank takes the necessary measures to update its internal systems and existing policies to comply with new requirements issued by the Central Bank of Kuwait and the supervisory authorities. In addition, the Bank is committed to operating with the utmost transparency and disclosing all material information relating to the Bank, in accordance with the instructions issued by the Capital Markets Authority and the rules of the Boursa Kuwait, whilst also taking into account the provisions of the Kuwait 2035 Vision.

One of the fundamentals of sound governance, as stipulated in the governance rules and regulations, is that the composition of boards of directors and their subsidiary committees must include independent members, in order to uphold the principle of the independence of the board of directors and its committees, such that the board comprises no fewer than eleven members, with no fewer than four independent members, but not exceeding half the total number of board members. In addition, the importance of the role entrusted to the board of directors in the field of risk management is emphasized, as is the importance of risk governance, including information security and cyber security risks, in light of the growing importance of protecting information systems and security in the face of challenges arising from the rapid development of modern technologies used in the banking sector, as well as the addition of a compliance function and an emphasis on governance within the framework of the Bank's overall risk management.

The Central Bank of Kuwait instructions with regards to Corporate Governance Rules in Kuwaiti Banks included a set of basic pillars pertaining to banks' Corporate Governance principles including nine pillars as follows:

1. Board of Directors
2. Corporate Values & Ethics, Conflict of Interests and Group Structure (The Bank and its Subsidies).
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.

Good banking governance practices involve the allocation of powers and responsibilities, that is, the way in which the management of the Bank's affairs is organized by the board of directors and the executive management including how they:

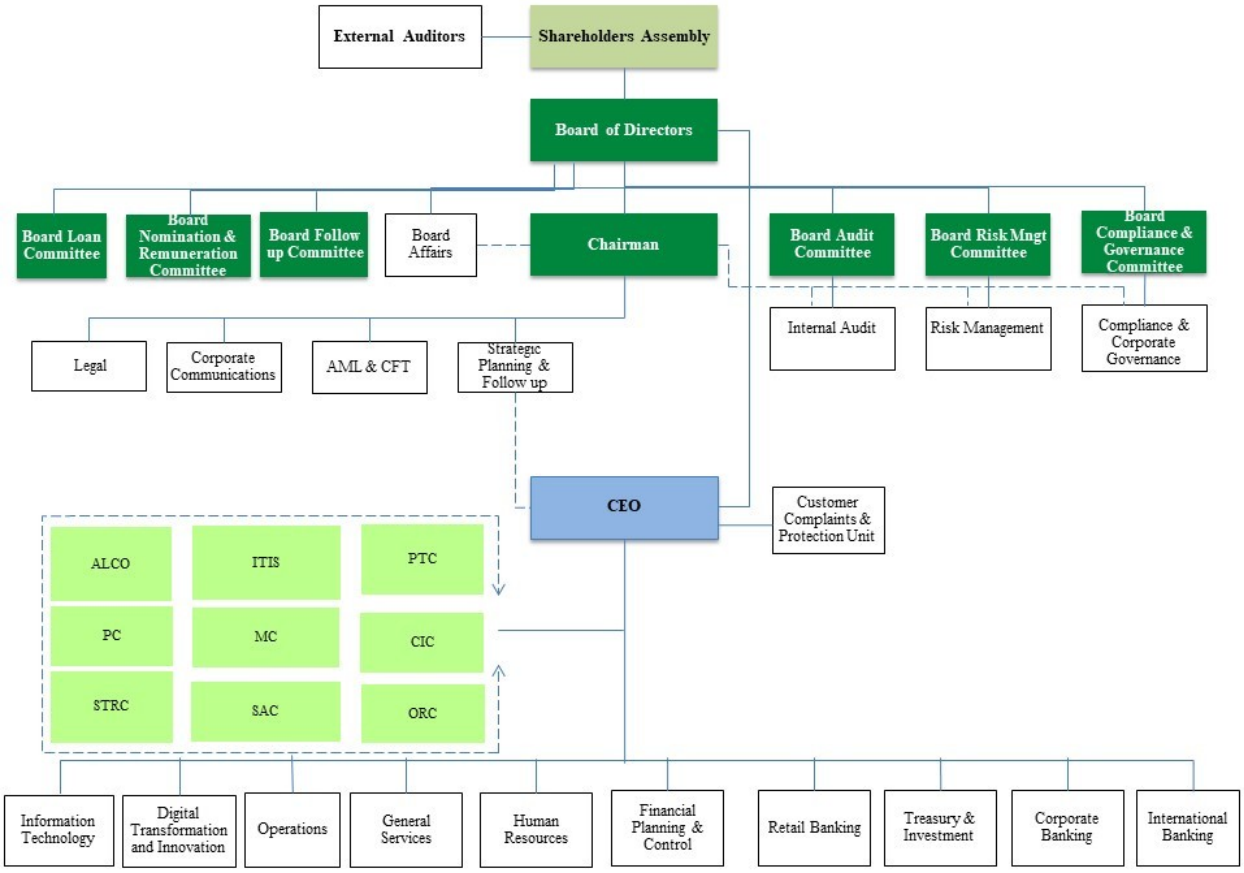
- Set the Bank's strategy and objectives;

- 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 systemtic crisis.

3. The Bank's Organizational Chart and Governance Structure

The Bank has established an organizational structure appropriate to its nature, activities and size, ensuring the necessary organizational controls to implement the Bank's strategy and objectives and to conduct its business in accordance with the principles of good governance by defining the objectives and specifying the duties, responsibilities and powers of all units within that structure, and by defining reporting lines for managers across all management levels, whilst taking into account appropriate internal control systems, including dual control, segregation of duties, and the availability of policies, procedures and job descriptions for the various roles. The organizational structure must be characterized by transparency, clarity and simplicity, so as to facilitate decision-making, achieve good governance and clarify the boundaries of responsibility and accountability, and that it incorporates key forms of oversight, namely oversight by the Board of Directors, oversight by executive management, direct oversight on the bank's activities, and independent functions for risk management, internal audit and compliance.

The governance structure aims to provide adequate and effective governance standards and practices for the Bank's Group, whilst incorporating appropriate forms of effective oversight of the Group's activities. This framework is assessed periodically to ensure it remains appropriate. The Bank's structure is considered straightforward, as it has only one subsidiary within the Bank Group. 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 August 2026.

4. Board of Directors and Board Committees

A) Board of Directors:

Members of the BOD are elected by the shareholders in a secret ballot using the cumulative voting system at a General Assembly meeting, following approval by the Central Bank of Kuwait. The Board must include independent members in accordance with the Bank's Articles of Association. The term of office on the BOD is three years, renewable. It should be noted that the cumulative voting system is applied in the election of members of the BOD. The Chairman and Deputy Chairman of the BOD are elected in a secret ballot from among the members of the BOD. The Chairman of the BOD is deemed to be the Head of the Bank and represents it in its dealings with third parties. His signature is deemed to be that of the BOD in the Bank's dealings with third parties. He must implement the Board's decisions and adhere to its recommendations.

The members of the BOD possess the appropriate experience, integrity and personal qualities that enable them to carry out their duties in a sound and professional manner, with the Board as a whole

characterized by diversity in academic qualifications, practical experience, specialist skills and relevant knowledge in the fields of finance, accounting, lending, banking operations, strategic planning, governance, risk management, internal control, sustainability standards, sustainable finance, information security and cyber security. Furthermore, the Board is kept continuously informed of local, regional and international economic developments, as well as the regulatory and supervisory environment, and annual reviews are conducted to verify that all the necessary qualifications and criteria required for members to perform their duties continue to be met.

The BOD shall hold no less than six meetings a year, with at least one meeting to be held every quarter, and the Secretary to the Board shall be responsible for preparing the minutes of the meetings, which form part of the Bank's records. The BOD shall operate in accordance with its approved internal regulations, managing the Bank's affairs and bearing primary responsibility for all outcomes arising from the implementation of the strategies, objectives, plans and policies it adopts, through which the Bank's various business operations and activities are conducted. The BOD shall have the broadest powers to manage the Bank, and to carry out all acts required for the management of the Bank in accordance with its objectives. This authority is limited only by the provisions of the law, resolutions of the General Assembly, the Bank's Memorandum and Articles of Association, or relevant regulatory instructions. The BOD' responsibilities include protecting the rights of shareholders, depositors, creditors, customers, employees and all other parties with an interest in the Bank, and promoting sustainable finance, all within the framework of prudent and clear strategies, policies and procedures implemented with the requisite professionalism and expertise, in a manner that achieves the Bank's objectives and ensures its continued financial stability.

The **main** general responsibilities of the BOD are as follows:

- Assume ultimate responsibility for the Bank's business activities and its financial soundness, fulfillment of Central Bank of Kuwait and other regulatory authorities' 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 and approve the strategey and objectives of the Bank, oversee its Executive Management's compliance of this strategy, and the objectives, policies and procedures adopted or required under laws and the relevant regulations, as the Executive Management is responsible for the Bank's day-to-day operations.
- To ensure the adequacy and efficiency of the Bank's internal control systems, and to ratify them, in order to protect the Bank's assets, financial soundness and ensuring efficiency of its operations. Also, ensure that all risks in the Bank are managed properly.
- Build up the public trust in the Bank management, along with emphasizing that the role of the BOD 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, 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 cybersecurity risks, as well as the independency of internal and external audits.
- Strengthen the principle of BOD's independence and emphasize the importance of each Board Member's commitment to carry out his/her role towards the Bank and all shareholders.
- Encouraging the implementation of 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 reviewed, along with verifying the validity of such transactions.
- Ensure that written policies covering all of the banking functions are available with the bank, 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 the approval on the appointment of Divisions / Departments Heads. The BOD 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 BOD 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 BOD.

B) Board Committees:

Within the process of enhancing the principles of Corporate Governance at the Bank, and for the purposed of improving the effectiveness of BOD's oversight on the Bank's important operations, the Bank has formed six Board Committees that include four Committees to 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, and the Board Follow up Committee. These Committees operate according to its bylaws approved by the BOD which determine its roles, responsibilities and work frame, and present regular reports to the BOD within the functions and 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, and to make decisions impartially and objectively in favor of the Bank. It is to be noted that the existence of these Committees does not release the BOD 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 can be chaired by the Chairman of the Board. 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. Below are the main roles and responsibilities of the BCGC:

- Prepare and update CG manual to be approved by the BOD, including the rules and regulations contained in the CB instructions regarding CG rules and systems at a minimum. The same shall be published on the Bank's website.
- Review the annual reports submitted by the CCGD in the Bank on:
  - The Bank's compliance with relevant legislations and regulations, and the latest developments in this regard, and the efficiency of the Bank's management of non-compliance risks that face the Bank in light of the Compliance Department's identification and assessment of the issues associated with non-compliance risks, in addition to the Bank's plans for the efficient management of such risks at least once a year, taking into account the position of Bank's subsidiaries. These reports are to be presented 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 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.
- Approve periodic work programs and plans for the Compliance & Corporate Governance Division.
- Review the annual Sustainability Report before submitting it to BOD, to ensure that it includes information about the Bank's activities on subjects with environmental, social, and economic impact, thus enabling stakeholders to assess the Bank's sustainability level.
- Propose/review any amendment to be introduced to the Bank's Memorandum and Articles of Association, particularly in relation to Corporate Governance requirements.
- Review the BOD's bylaws and the various Corporate Governance policies and other bylaws & policies and Corporate Governance requirements, as per the regulatory instructions or BOD's request.
- Any other functions, responsibilities and authorities under the Committee's approved Bylaws.

Board Follow up Committee (BFC):

The BFC is constituted of at least three BOD members including the BFC Chairperson. The BFC shall include one independent member at least. The BFC shall meet whenever the need arises, and the secretary to the BOD shall act as BFC secretary. The minutes of meeting are taken and are considered part of the Bank's records. Below are the main roles and responsibilities of the BFC:

- Review the instructions received from the Central Bank of Kuwait and other regulatory authorities.
- Discuss pending matters and instructions received from supervisory authorities with the participation of the Executive Management.
- Present the reports, conclusions and recommendations made by the committee to the BOD &/or BOD Committees - according to each committee's roles - to take the necessary measures to protect the Bank's rights and funds and the rights of stakeholders.
- Ensure that all actions taken by the Bank in this regard are consistent with the Bank's CG policies and compliance with best banking practices.
- Any other functions, responsibilities and authorities under the Committee's approved Bylaws.

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 during a calendar year or whenever needed. The secretary to the BOD shall act as BRMC secretary. The minutes of meeting are taken and are considered part of the Bank's records. Below are the main roles and responsibilities of BRMC:

- Review the Bank's risk appetite and strategy, before getting it approved by the BOD.
- Review the Bank's risk management policies and framework before getting them approved by the BOD, and ensure that such policies are circulated to the concerned Divisions/Departments within the Bank through RMD, and review any other bylaws, policies and documents in accordance to the regulatory requirements and instructions, or upon BOD request or business needs, provided that such documents are presented to the BOD for approval.
- Approve the key operational risk indicators.
- Ensure the implementation of CB instructions concerning capital adequacy (Basel), ICAAP and stress testing.
- Review the credit rating scorecards/models and the like before presenting them to the BOD for approval.
- Ensure that RMD is implementing the risk strategy and monitoring the approved risk appetite, in addition to developing methodologies for identifying, measuring, monitoring, and recommending adequate mitigants, and implementing and developing strong and comprehensive systems and procedures for managing various types of risks, and spread the culture of risk governance within the Bank.
- Ensure the Executive Management's implementation of the risk management strategy and appetite and risk policies.

- Discuss the appointment of CRO and present the same to the BOD for approval, in addition evaluate the performance of the CRO and determining the areas that require development.
- Discuss CRO's termination and the related reasons, and present the same to the BOD, considering that such justification shall be discussed with the CB before termination.
- Ensure that the Risk Governance Framework includes well defined regulatory responsibilities for the Risk Management Division, which are usually referred to as "Three Lines of Defense" as stated in the Risk Management Framework.
- Review the organizational structure and roles and responsibilities of RMD prior to the BOD approval.
- Ensure the independency of the CRO, that there are no financial responsibilities assigned to him, that he is able to influence the Bank's decisions related to risk exposure, and that he has direct access and submits reports to the BOD Chairman and BRMC Chairperson.
- 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.
- Ensure that RMD has the authority to submit reports (including financial and non-financial risks) directly to the BRMC Chairperson and Executive Management. Such reports should include information about the Bank's risk profile and all the Bank's activities against the risk appetite, and rectified adverse deviation, all of these as informed by RMD.
- 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 that 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.
- Discuss the Bank's information security and cybersecurity risk appetite on a regular basis, as part of Bank's risk appetite, and review its levels and trends on an ongoing basis, and present the same to the BOD.
- Ensure that the Information Security Department provide awareness of information security and cybersecurity risks, and provide effective training for all employees in the Bank and third-party vendors whenever required, and present the same to the BOD.
- Review the reports of the specialized independent external entity assigned annually, or whenever required, to assess and test the Bank's ability to address and manage information security and cybersecurity risks in light of the latest global practices, and present the same to the BOD.
- Review the inspection reports from the Central Bank of Kuwait and other regulators and entities with regards to relevant observations to risk in order to take necessary action.

- Ensure that the risk management function is provided with the proper support in terms of providing sufficient resources, qualified personnel and proper training, and present the same to the BOD annually.
- Any other functions, responsibilities and authorities under the Committee's approved Bylaws.

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, at least two members must have academic qualifications and practical experience in the financial fields. BAC shall meet once every quarter or whenever needed, 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, and the secretary to the BOD shall act as BAC secretary. The minutes of meeting are taken and are considered as part of the Bank's records, and are also available for the CB's inspectors. Below are the main roles and responsibilities of BAC:

- Review the scope, outcomes and the sufficiency of internal and 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 BOD, 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.
- Ensuring the existence of adequate oversight over subsidiaries by reviewing the periodic reports prepared by the Internal Audit Division to evaluate material risks and issues related to the internal audit function of the subsidiary that may impact both the Bank and its subsidiaries.
- Present the recommendation to the BOD for approval on the appointment and determining benefits or the termination of contract of the CIA and internal audit staff in order to emphasize audit independency and competency. Also, evaluate the performance of the CIA annually and determine his remunerations and the remunerations of internal auditors.
- Ensure that the Internal Audit Division's is continuously enhanced in terms of providing the sufficient resources and proper training to fulfill the internal audit mandate and achieve the annual internal audit plan.
- Ensure not to outsource any of the basic internal audit roles without prior approval from Central Bank of Kuwait, and this should be for specific purposes and for a limited period of time.
- Ensure the independency and competency of Internal Audit staff in terms of carrying out their responsibilities independently and effectively, and that the Internal Audit Division is staffed with qualified personnel.
- Ensure that the Internal Audit staff are not assigned with any executive responsibilities, and ensure there is not any potential conflict of interests as informed by the Internal Audit Division.

- Review the internal audit charter and the strategic and annual audit plan to be submitted to the BOD for approval, and ensure that the scope, procedures and frequency of audit are consistent with the degrees of risk to which the Bank's various business activities are exposed in light of the BOD direction to focus on risk-based audit.
- Review the organizational structure of Internal Audit Division prior to the BOD approval.
- 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.
- Ensure that the Internal Audit Division has an external quality assurance review once every five years.
- Present the recommendation to the BOD for approval on the 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 GM- Compliance and Corporate Governance.
- Present the recommendation to the BOD for approval on the appointment, termination of the contract, and determine the fees of the external audit firms appointed for specific tasks, with consideration of not assigning the duties related to assessing the adequacy of internal control systems, and other consulting and technical duties, to the external auditors of the Bank or their related firms and to the companies that are economically or legally linked to them.
- Ensuring that appropriate controls are in place by providing the BAC with internal audit reports or any other relevant reports so that the employees can express their doubts about any issues suspected to be in violation or may entail possible violation of laws, regulatory instrucations, and internal policies and bylaws.
- Any other functions, responsibilities and authorities under the Committee's approved Bylaws.

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 needed, the secretary to the BOD shall act as BNRC secretary. The minutes of meeting are taken and are considered as part of the Bank's records. Below are the main roles and responsibilities of BNRC:

- Prepare and update the BOD membership nomination criteria, 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 BOD 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 and 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 integrity, experience and competence conditions in all BOD members, and the 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 leadership 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.
- Ensure that the BOD members have access to the information and reports about the critical topics related to the Bank.
- Ensure that the Board Members are always cognizant of the up-to-date issues related to banking business through the proper means.
- Discuss and study the possibility of replacing the membership of any of the members in a committee to another committee (upon request). This should take into account the expertise and skills of the member and their compatibility with the duties of the new committee, in addition to the composition of the committee so that it neither conflicts with the mandatory presence of the independent member nor his membership in other committees.
- Prepare the remuneration policy, and submit the same to the BOD for approval.
- Oversee 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 at least on an annual basis 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 includes 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.
- Determine the remunerations scheme in line with the sound practices related to granting remunerations.
- Propose the recommendations to the BOD regarding the level and components of the proposed remunerations to the CEO and his/her deputies, assistants, and those 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.
- Coordinate with the BRMC and/or the CRO to evaluate the proposed incentives in the remunerations policy and scheme.
- 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 an independent annual review of the remunerations policy has been conducted. Such review can be done through the Bank's Internal Audit Division or an external consultancy

firm. The objective of this review is to evaluate the Bank's compliance with the remunerations policy and practices. The BNRC shall present such evaluation results to the BOD.
- Any other functions, responsibilities and authorities under the Committee's approved Bylaws.

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, and the secretary to the BOD shall act as BAC secretary. The minutes of meeting are taken and are considered as part of the Bank's records. Below are the main roles and responsibilities of BLC:

- Review the credit and investment policies and the proposed amendments thereto before the BOD approval, in accordance with the relevant Central Bank of Kuwait regulations.
- Review, revise and approve the credit limits assigned for countries (including credit, investment, treasury limits and other limits) based on the Credit and Investment Committee's recommendation, and in line with the relevant CB regulations.
- Review, amend and approve the prescribed counter parties' limits for banks.
- Review, revise and approve the foreign exchange limits (FX Limits) within the limits prescribed by the Central Bank of Kuwait.
- 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 Central Bank of Kuwait.
- Give the approvals on the procedures of returning funds, reversing entrires of the interests and 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 and investment policy and as per the CB regulations and guidelines.
- Review, amend and approve on all investment proposals that fall under the Committee's authority and decide about it.
- Review the CIC decision that exceeds the CIC authority with regards to the new or current investment proposals, and take the necessary decision according to the limits prescribed by the CB.
- Review and provide recommendation to BOD as applicable on all investment proposals that are beyond the Committee's authority.
- Review reports submitted by various Divisions, in addition to risk-related reports (if applicable) submitted to other Board Committees to enhance the handshaking process between BOD's committees.
- Review reports with respect to any early warning signals or deterioration of credit or investment quality.
- Any other functions, responsibilities and authorities under the Committee's approved Bylaws.

5. Executive Management

A) 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 business.

- Under the supervision of the BOD, 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 BOD, 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 BOD, and participate in preparing proposals related to 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 and 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 BOD approved the roles and responsibilities delegated to the CEO who is responsible before the BOD for applying all bylaws and policies approved by the BOD in consistency with the prudent Corporate Governance standards and relevant instructions issued by Central Bank of Kuwait.

B) Executive Committees:

Following approval by the BOD, the Bank establishes the necessary executive committees in accordance with operational needs or regulatory requirements, with the aim of enhancing the efficiency and effectiveness of decision-making. These committees comprise of a group of experienced individuals and decision-makers. The work of these committees is governed by internal regulations approved by the BOD and reviewed annually. Most executive committees are chaired by the Chief Executive Officer.

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 actively endeavors to enhance compliance with the corporate values and raise awareness among 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 publishes it on the Bank's website.

Code of Conduct:

The Code of Conduct 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, Sustainability 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 should be addressed, and take the necessary action in this regard.

Combating Bribery and Corruption, and Guidelines on Acceptance of Gifts:

In this regard, the Bank is committed to comply with the requirements of the directives and laws issued by both regulatory and supervisory bodies and official State authorities. It does so by drawing up policies and procedures and circulating them to all relevant parties within the Bank, with the aim of combating bribery and corruption and limiting the use of the authority and powers granted to both members of Senior Management and members of the BOD by virtue of their positions, which may lead to the pursuit of any personal interests, whether directly or indirectly. On the other hand, the Bank's policy permits authorized staff to present appropriate gifts or offer hospitality to customers. Should an employee receive inkind gifts, they must report this in writing to their line manager in order to avoid any conflict of interest.

Banking Confidentiality and Information Security:

The BOD, Executive Management and employees are committed to ensuring the confidentiality and security of information and data relating to the Bank, its customers and other stakeholders, in accordance with the provisions of the laws, regulations and directives issued by the Central Bank of Kuwait and other regulatory authorities.

The Bank is also committed to the ongoing implementation of controls designed to safeguard the confidentiality and security of information, in accordance with the policies approved by the BOD in this regard and the internal control systems, which require the maintenance of confidentiality.

Banking confidentiality and information security are considered among the most important principles of banking, given the trust they instill in customers. Failure to uphold these principles has negative repercussions not only for the bank that fails to maintain confidentiality and information security, but may also extend to the entire banking sector. The Bank reaffirms its commitment to the highest standards of banking confidentiality and information security and takes all necessary measures to safeguard the confidentiality of the information in its possession and to prevent any breaches, whether relating to the Bank itself or to individuals and entities with which it has dealings or relationships. It further reaffirms its full compliance with the laws and all relevant regulations issued by the regulatory authorities. The Bank's BOD has adopted a dedicated information security policy that encompasses all legal and regulatory requirements, as well as stringent standards in this field, with the further aim of fostering and embedding a strong and sound culture within the Bank to ensure full compliance with the confidentiality of data and the security of information relating to all parties with an interest in the Bank.

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, forms and 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 examples for Conflict of Interests cases and 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. It also 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 and 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, given the authority and influence that relevant parties may have towards the Bank that may enable them to obtain exceptional advantages 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 to avoid Conflict of Interests. It also 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 and its customers that is not available to the general public, and to prevent the misuse of such information, the Bank has in place a policy governing dealing in securities for the insiders. 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 a set of precautionary procedures, including obtaining the required acknowledgments and undertakings from the insiders, determining the proper contractual arrangements with the other insiders, and preparing a list of insiders and updating the same on an ongoing basis, along with preparing the required forms and records in this regard and disclosing them on the Bank's page through Boursa Kuwait portal.

Whistle Blowing:

The Bank aims to implement the approved Whistle Blowing Policy to enhance communication culture among the Bank's employees and others, provide a means by which they can be involved in the protection of the Bank and its interests, and establish a mechanism that enables them to communicate any information that may come to their knowledge with the Bank regarding any transaction or behavior within the Bank that is suspected of violating or already violates 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 provides protection to those employees and gives them the right for not disclosing their identity.

Combating Money Laundering, Terrorist Financing, Fraud and Embezzlement:

The Bank is committed to identifying and monitoring suspicious operations and transactions. Such operations and transactions are followed up and reported to the relevant authorities. The Bank also periodically provides all staff with awareness-raising training programs on anti-money laundering

and counter-terrorist financing, ensuring they have the awareness and knowledge to prevent the Bank's products and services from being exploited in suspicious operations.
The Bank reports any cases of fraud, embezzlement or forgery – whether actual, suspected or attempted – as well as other criminal acts or any unlawful activities to the Central Bank of Kuwait and the Public Prosecution. The Bank requires all its staff to report immediately any suspicious transactions or cases of embezzlement, fraud or forgery.

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 to the CEO, to deal with customers' complaints. This Department has in place approved policy and 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 special services in compliance with the instructions issued by the Central Bank of Kuwait in this regard.

Financial Inclusion:

The Bank works on strengthening its market position by ensuring the implementation of the principle of financial inclusion, which aims to provide solutions and introduce new financial and banking services that are accessible to all segments of society, including people with special needs, pensioners, simple crafts workers and domestic workers. The Bank has drawn up a financial inclusion policy, to ensure that its banking services are provided in a manner that upholds the principles of fairness, equality and transparency in its dealings with customers, in accordance with the Customer Protection Manual.

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

The BOD of the parent Bank is fully responsible for ensuring that adequate governance standards are in place for the Group, and must ensure that there are governance policies and mechanisms appropriate to the Group's structure, activities, risks and entities. The BOD and Executive Management must understand the Group's structure, and be aware of the material risks and issues that may affect both the Bank as a whole and its subsidiaries. Consequently, adequate oversight must be exercised over the subsidiaries, whilst respecting the legal independence of governance responsibilities held by the members of the subsidiaries' boards of directors, and ensuring that the governance structure contributes to the effective oversight of the subsidiaries. In this context, the Bank periodically assesses the risks associated with this structure to verify that it remains appropriate.

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 BOD endeavored to get independence for the Head of the Risk Management Division, Chief Internal Auditor and Head of Compliance and Corporate Governance, with their right to obtain all required information related to their duties and functions with easy and obstacle-free access to the Chairman of the BOD and the Board Committees' Chairpersons.

Internal Control Systems:

- The Board of Directors has adopted an organizational structure appropriate to the Bank's activities and to the implementation of its strategy, whereby the functional and reporting lines for each Division and Department are defined, and tasks, responsibilities and powers are specified and allocated in accordance with the principles of dual control and segregation of duties. The structure is characterized by transparency, clarity and simplicity.
- The position of Chief Executive Officer is kept separate from the position of Chairman of the Board of Directors by adopting a documentation that sets out the duties and responsibilities of each role.
- The adequacy and effectiveness of the necessary internal control systems are verified at least once a year, whereby an independent auditor is appointed to assess the internal control systems and provide the Central Bank of Kuwait with an audit report. The Bank, then, follows up on the rectification of any observations contained therein, if any. The Bank shall not outsource work relating to the assessment of the adequacy of internal control systems, or other technical and advisory work, to the Bank's audit firms, as set out in the Central Bank of Kuwait's instructions.
- The Board of Directors verifies the independence and competence of the internal audit function. Further, the Bank ensures the independence of both external and internal audit processes and makes effective use of the work and observations of the internal and external audits, as well as the reports assessing internal control systems, as an independent review of the information submitted by the Executive Management to the Board of Directors.
- The Bank is committed to transparency. Consequently, its Annual Report includes a statement on the adequacy of its internal control and oversight systems. The Annual Report also contains the external auditor's opinion on the assessment of these internal control and oversight systems.
- The Bank ensures that policies are in place to cover its various activities, as well as procedures and job descriptions for the various roles, whilst safeguarding the independence of the internal audit, risk management, compliance and governance functions.
- The Bank ensures that its accounting records and other records are prepared in accordance with the requirements of the General Guidelines Manual for Internal Control Systems issued by the Central Bank of Kuwait.

Risk Governance Framework:

The Bank has set and developed robust comprehensive systems and 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 level of the Bank 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, identifying capital needs on an ongoing basis, and monitoring and assessing 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 follows:

- 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 and Compliance Functions, which are independent of the first line of defense. The Risk Management monitors and reports to the top management, and supervises the Bank's risk areas and assesses them independently from the first line of defense in order to enhance and complete its function. Further, the Compliance Department monitors 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.

The following are the procedures undertaken by the Bank in this regard:

- 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 spreads the culture of risk governance across the Bank.
- The Bank identifies and defines the risks it may face, measures its exposure to those risks, and monitors this exposure to ensure it remains within the approved risk appetite framework. The Bank establishes its risk appetite in accordance with the criteria and limits approved by the Bank, which are reviewed on a regular basis.
- 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. The Bank takes these variables into account when measuring risks, and adopts qualitative and quantitative parameters for the assessment of these risks.
- The BOD ensures 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 and 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 the 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 increase awareness in this field and makes every effort to enhance protection of information security systems to avert risks, including intrusion risks, in line with the latest developments and

practices. As such, the Bank prepares and approves policies and controls pertaining to Information Security and Cybersecurity, and establishes an independent and specialized department, equipped with qualified professionals and the required resources, and develops the reporting systems in this regard.

Climate Risks and Environmental and Social Governance Risks:

In line with the Bank's commitment to the concept of sustainability and its dedication to promoting sustainable finance, and in light of the Central Bank of Kuwait's growing focus on environmental, social and governance (ESG) criteria, the BOD has adopted a framework document setting out the Bank's approach to identifying and assessing the climate risks and environmental and social governance risks to which the Bank may be exposed, clarifying how to manage and mitigate them, and determining the extent of their impact on other traditional risk categories. The framework also aims to strengthen the Bank's long-term resilience to these climate risks. It is designed to be applied at the level of the Bank's portfolios, which may be materially affected by these risks, thereby enabling the Bank to develop a strategy that enhances the management of these risks in line with best practices.

Compliance Governance:

The Bank believes that the compliance function is a key component of the Bank's risk management framework due to the exceptional nature of incompliance risks, including legal or regulatory penalties risks, financial risks, 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 works under the frame of the Compliance Policy and its roles and responsibilities approved by BOD. This function is based on ensuring that the Bank meets the requirements of legislation, instructions and supervisory controls related to the Bank's activities, and submitting periodic reports to BCGC and BOD.

Internal and External Audit:

The BOD 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 the internal audit function and external auditors, as well as the assessment reports of internal control systems, which are considered as an independent review of the information submitted from the Executive Management to the BOD.

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 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 any executive responsibilities, and that there is no potential conflict of interest.
- The Internal Audit Division may have access to any information, and may communicate with 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, and ensure that the scope, procedures and frequency of audit are consistent with the risk profile to which the Bank's various activities are exposed.
- Review and approve the internal audit charter that shows the baseline for the Internal Audit function, and get it circulated Bankwide.
- Review and approve the Internal Audit Division organizational structure.
- The 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.
- The 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, etc.

External Audit:

- External audit is 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 in the presence 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 has in place a policy approved by the BOD regarding the appointment, rotation and independence of external auditors.
- When the BOD 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 BOD should draw the attention of these firms and agencies to focus their review on the areas which include high operational risks for the Bank, as well as other significant issues as highlighted in Central Bank of Kuwait reports, observations and guidelines.

8. Remunerations' Systems & Policies

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

Main Objectives of the Remuneration Policy:

1. Promote effective governance and sound practices for the financial remuneration system in consistency with the 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 a remuneration policy that applies to all the employees of the Bank by having in place a system based on appraisal mechanism / job progression 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 and the level and range of salaries and remuneration in the local banking sector.
- Remunerations are divided into fixed remunerations, which include basic salary and fixed/ supplementary allowances and variable remunerations that are related to performance and depend on the Bank's financial performance and Divisions / Departments' role and 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 BOD. "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, the 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. From an 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 head of Compliance & Corporate Governance Division. Board Risk Management Committee prepares the performance appraisal of the CRO of the Risk Management Division while the Board Audit Committee

prepares the performance appraisal of the CIA- Head of Internal Audit Division. As such, the mentioned Heads of Divisions are given the required independence from the Executive Management in order to carry out their work optimally so the Executive Management will not have any role in the performance appraisal or promotions or remunerations of the abovementioned heads.

Performance Measurement:

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

Disclosure Requirements:

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

Succession and Career Progression Plans:

The Bank has an approved career progression plan under which technical staff are prepared as second-tier candidates to fill vacant positions, with the qualifications and requirements for these roles clearly set out to ensure business continuity, develop internal talent and motivate high-performing staff, thereby reducing the risk of reliance on specific individuals, whilst taking into account the policy of localizing these key leadership roles.

Eligibility, Training, and Awareness:

When appointing individuals to senior positions, the Bank ensures compliance with the conditions and requirements set out in the rules and regulations governing experience. An annual assessment is also carried out to verify that the criteria relating to experience, integrity, credibility, good reputation and financial standing continue to be met by those holding these positions. It should be noted that the Bank has a department specializing in development and training, which coordinates the preparation of a plan for appropriate training programs for all members of the executive body, ranging from Senior Management down to all staff, in line with the requirements of their roles and to ensure they are aware of the latest developments in the banking and financial sectors. Awareness-raising bulletins are periodically sent to all staff on various topics, particularly those relating to corporate governance, cyber risks, reporting concerns, anti-money laundering and other matters.

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. It helps them to take their investment decisions at the proper time, and it is performed on a regular basis (specific time

periods) or on an immediate basis when an issue arises. 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 defined as any information that is held by the listed company with respect to its activity, identity, financial position or management. This information is not available on the public domain nor to traders, and has impact on the company's assets, liabilities, financial standing or the general course of its business. It may lead to a change in the price or volume of securities trading, or attracting or abstention by the traders on such securities, or it 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 BOD has an 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 and transparency .

This policy provides a framework for disclosure within the Bank and sets the necessary rules and controls which contribute in fairness and 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 Deaprtment has been established and supported with qualified personnel and equipped with the adequate recourses to assume its roles and 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 and 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 all shareholders, including minority and foreign shareholders, and giving them the opportunity to question the BOD 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 relevant to his own 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.

The Bank has in place approved guidelines and procedures for General Assembly Meeting & 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 the society.

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

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 to the various business activities undertaken by banks, include controls and bases that provide the necessary protection for the rights of stakeholders.

12. Sustainability (Environmental, Social and Governance) and Sustainable Finance:

The United Nations Brundtland Commission on Environment and Development in its report published in 1987, defined Sustainable Development as:

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

The Commercial Bank of Kuwait has early recognized the importance of sustainable development with its core standards in environment, society, and governance criteria (ESG). The Bank took the initiative in this regard by issuing an annual report on its efforts in the field of social responsibility "Social Responsibility Report". This report covers most of the topics and standards included in the concept of ESG before these standards became regulatory requirements and global priorities that attract significant attention and interest from countries around the world.

The Commercial Bank of Kuwait took the initiative in 2023 to issue its first separate Sustainability Report 2022, outlining the Bank's future vision in this regard and its most significant achievements at various levels. The Bank continues to issue the sustainabiltity reports annually, complying with the Boursa Kuwait guidelines for governance, social and enviromental reporting.

Regerding sustainable finance, the Bank is committed to spreading the culture of sustainable development, and encouraging sustainable financing through the inclusion of sustainability standards within the Bank’s strategy. The BOD has approved the Bank’s sustainabile finance framework, which aims to lay the nessasary foundations to use capital towards sustainable projects and activities.

The Bank has recently issued its Sustainable Finance Framework, noting that Sustainable Fitch Agency has issued its opinion in its part as an independent external second party (Second – Party Opinion - SPO) Regarding the Bank’s sustainable finance framework, the agency considered that this framework is fully consistent with the Green Bond Principles, the Social Bond Principles and the Sustainable Bond Guidelines issued by the International Capital Market Association (ICMA).