

The Executive Bylaws  
Module Fifteen

Corporate Governance





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## Chapter One

### Scope of Application

#### Article 1-1

The provisions of this Module are -originally- based on Comply or Explain principle. Companies must disclose the extent of their compliance with rules. In case any company is not abiding by any of the rules, the company must specify the non-complied rule and article, and include the same in detail in the governance report, along with the reasons for non-compliance. All this shall be done without prejudicing the obligatory provisions and stipulations stated in the Law and these Bylaws or any other law or condition or rules, instructions or resolutions.

#### Article 1-2

Pursuant to the Comply and Explain principle, as referred to in Article 1-1 hereof, the following rules shall be subject to commitment and compliance:

Rule I: Article (2-3) of this Module.

Rule IV: Safeguard the Integrity of Financial Reporting.

Rule V: Apply Sound Systems of Risk Management and Internal Audit.

Rule VI: Article (7-5) and (7-7) of this Module.

Rule VII: Ensure Timely and High Quality Disclosure and Transparency.

Rule VIII: Respect the Rights of Shareholders.

The company must comply with implementing the previous rules. In case of non-compliance, the company shall be subject to Penalties as stated in Law and these Bylaws.

#### Article 1-3

This Module shall be applied to Listed Companies on the Exchange and licensed shareholding companies by the Authority, whether listed or unlisted on the Exchange, except the following:

1. Units Subject to the Supervision of the Central Bank.
2. Listed Companies subject to the supervision of the Insurance Regulatory Unit.
3. Non-Kuwaiti companies which are listed on the Exchange upon the issuance of this Module.

## Chapter Two

### Rule I: Construct a Balanced Board Composition

	<b>Standards for Board Composition</b>
<b>Article 2-1</b>	<p>A company Board of Directors must be properly composed in accordance with the company's activity volume and nature as well as the assigned roles and responsibilities. Besides, variety of educational and professional experience and specialized skills must be considered. Board members must be aware of relevant laws and policies and Board rights and roles. This is in addition to full understanding and awareness of the company's activities and all risks against financial position thereof.</p>
<b>Article 2-2</b>	<p>Without prejudice to the provisions of the Companies Law and its Executive Bylaws, the following must be complied with upon Board composition:</p> <ol style="list-style-type: none"> <li>1. Board shall be composed of sufficient members so that it can form the required number of committees derived from it and subject to governance rules requirements.</li> <li>2. Upon Board composition, variety of experiences and specialized skills must be considered to enhance the efficiency of undertaking resolutions.</li> </ol> <p>Majority of <u>Members of the Board of Directors</u> must be <u>Non-Executive Members</u>, and that at least 20% of the <u>Members of the Board of Directors</u> are independent members. In the event of a fraction in the result of calculating the ratio, the result is rounded to the next whole number, provided that the number of independent members does not exceed half of the <u>Members of the Board of Directors</u>. With the exception of the <u>Clearing Agency</u>, it shall comply to what is stated in Article (3-2-1) of Module Four (Securities Exchanges and Clearing Agencies) of these <u>Bylaws</u>.</p>
<b>Article 2-3</b>	<p><b>Members of a Board of Directors Shall Include Independent Members so that They Can Exercise their Unfettered and Independent Judgment under No Pressures or Obstacles</b></p> <p>A company Board must include independent members who shall be assigned advisory tasks in regards to various activities of the company. This shall help the board take valid resolutions which contribute to the fulfilment of company interests. The Board of Directors must include at least 20% of the Board members from independent members, and not exceeding half the number of <u>Members of a Board of Directors</u> at most. Below are the controls of independent members:</p> <ol style="list-style-type: none"> <li>1. Independency, which is considered void in case of any of the following, for example and without limitation:             <ol style="list-style-type: none"> <li>a. The member holds 5% or more of the company <u>Shares</u>, for which he is nominated or represented.</li> <li>b. To have first degree relation with any of the <u>Members of a Board of Directors</u> or executive management members in the company or any other company in its <u>Group</u> or the relevant main parties.</li> <li>c. To be a <u>Members of a Board of Directors</u> in any company of the <u>Group</u>.</li> <li>d. To be an employee in the company or any company in the <u>Group</u> or for any of the <u>Stakeholders</u>.</li> <li>e. To be an employee for corporate entities who own <u>Control</u> shares in the company.</li> </ol> </li> <li>2. The independent member must have qualifications, experiences and technical skills which are constituent with the company's activity.</li> </ol>

Article 2-4

**Company Board Must Organize its Works and Allocate Enough Time to Execute Assigned Roles and Responsibilities**

Members of a Board of Directors must allocate enough time to execute their assigned roles and responsibilities, including preparing for Board meetings as well as permanent and temporarily committees' meetings and attending the same, as set forth in all Articles (2-5), (2-6) and (2-7) hereof.

Article 2-5

**Organizing Board Meetings and Agenda**

Board of Directors must organize periodic meetings and specify issues to be discussed in regard of the company's activity. This in addition to considering the following:

1. Number of Board meetings shall not be less than 6 annual meetings; provided that one meeting shall be held every three months at least.
2. Meeting shall be attended by half of Members of a Board of Directors, not less than three members at least.
3. Board of Directors shall hold regular ordinary meetings upon chairman's call.
4. Board chairman shall call for urgent meeting upon a written request submitted by two members, whenever required.
5. The Company Contract and articles of association shall include organization of Board meetings' attendance as well as how to deal with irregular attendances cases.
6. Members of a Board of Directors shall be provided with board agenda specific issues; supported with required documents and information three Business Days at least prior to Board meetings, except extraordinary meetings where Members of a Board of Directors have enough time to study suggested issues and take the proper resolutions. Board of Directors shall specify its agenda upon meeting. If any member objects to this agenda, details of such objection shall be registered in the minutes of meeting.

Article 2-6

**Registering, Coordinating and Archiving Board Minutes of Meetings**

Board of Directors shall establish a special register where Board minutes of meetings are written in serial numbers of the meeting year as well as place, date, commencement and ending times thereof shall be written. This is in addition to preparing minutes of discussions and deliberations including performed voting processes, classifying and archiving the same to facilitate referring thereto.

## Article 2-7

Board of Directors shall appoint a Board of Directors Secretary amongst the company's employees; specify his roles in accordance with the level of his assigned responsibilities. Thus, the Board of Directors Secretary may not be appointed or removed unless a resolution is issued by the board of directors. Below are the roles and responsibilities assigned to Board of Directors Secretary:

1. Writing and archiving all board minutes of meetings, records, books and reports referred by and to the board. However, minutes of meetings shall be signed by him and all attending members.
2. Ensuring that Members of a Board of Directors are following board-resolved procedures and making sure that Board meetings' dates are notified three Business Days prior to the meeting; and considering extraordinary meetings.
3. Ensuring that Members of a Board of Directors have full and quick access to all minutes of meetings, information and records in regard to the company.
4. Ensuring good delivery and distribution of information and coordination amongst the Members of a Board of Directors and other Stakeholders in the company including shareholders and different departments in the company and the employees under the supervision of the chairman.

## Chapter Three

### Rule II: Establish Appropriate Roles and Responsibilities

3

#### General provisions

#### Article 3-1

The role of Board of Directors represents the balance core which aims at achieving shareholders' goals and pursuing the company executive management. Board of Directors aim at accomplishing the strategic goals of the company through ensuring that executive management are perfectly performing its assigned roles and that it is enhancing the company's competitive capacity, achieving high growth rates, increasing profits, and integrating economic, social, and governance Sustainability considerations in its processes if required, and that executive management resolutions and actions are always for the benefit of the shareholders.

#### Article 3-2

Board of Directors' resolutions greatly affect the company's performance and safety of the financial position thereof. Therefore, the Board of Directors is supposed to have tools and mechanisms that enable it to perform effective monitoring the executive management's work and pursuing managers' performance. Besides, the Board must be provided with all necessary information and data to help the Board make resolutions.

#### Article 3-3

There must be clear separation between specializations of Board of Directors and executive management in the way that ensures full independency; so that Board of Directors can perform its responsibilities effectively.

#### **The Company shall specify, in details, the Roles, Responsibilities and Duties for each Board Member and for the Executive Management as well as the Authorities and Powers Authorized for the Executive Management**

#### Article 3-4

Roles and responsibilities of the Board of Directors and executive management must be apparently specified in the approved policies and conditions to reflect balance of authorities and powers between both Board of Directors and executive management. This is in addition to non-monopoly of any parties of absolute powers to facilitate the Board accountability by the shareholders.

#### Article 3-5

Board of Directors shall have all powers and authorities required to manage the company. Final responsibility for the company shall remain on the Board even if it had formed committees or authorized other agencies or parties to perform some of its works. The Board must avoid issuing general time-unlimited authorizations.

#### Article 3-6

Responsibilities of Board of Directors must be clearly specified in the company articles of association, and giving consideration to the general assembly's specializations.



**Article 3-7**

Board roles and responsibilities include, for example without limitation:

1. Approving company major goals, strategies, plans and policies, for example, at the minimum:
  - a. The company comprehensive strategy, main work plans, reviewing and directing the same.
  - b. Company ideal capital structure and financial goals.
  - c. Apparent policy for profits distribution of various types (cash/ non-cash) so that shareholders' and company's interests are accomplished.
  - d. Performance goals, execution pursuing and company comprehensive performance.
  - e. Company organizational and employment structures and periodic review thereof.
2. Acknowledging annual estimated budgets and approving phase and annual financial information.
3. Supervising company main capital charges, assets ownership and disposing of the same.
4. Ensuring the company's commitment with policies and procedures that procure the company's compliance with internal applicable rules and regulations.
5. Safeguarding accuracy and validity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and rules.
6. Constructing effective communication channels that enable the company shareholders periodic and continuous access to company various activities and any essential developments therein.
7. Setting corporate governance system – without these rules – general supervision thereof and monitoring how effective it is and amending the same, if necessary.
8. Pursuing performance of each Members of a Board of Directors and executive management member subject to Key Performance Indicators (KPIs).
9. Preparing annual report to be cited in the annual general assembly including the requirements and procedures of completing corporate governance rules and commitment degree thereof. However, this report shall be included in the annual report of company activities and showing the complied and non-complied rules and excuses for the same. Such report shall be prepared as a minimum pursuant to Appendix 2 of this Module.
10. Forming specialized committees where period, powers and responsibilities of the committee are clarified and how the Board shall monitor it. Formation resolution shall also include titles of members and determining their roles, rights and duties. This is in addition to assessing performance and works of the committees and their main members.

11. Ensuring that company certified policies and conditions are transparent and clear so that resolutions' taking and wise governance principles are applied. This in addition to separating powers and authorities of both the Board of Directors and executive management. In this regard, the Board shall:
  - a. Approve internal rules and regulations concerning the company work and development, and any subsequent roles, specializations, roles and responsibilities amongst different organizational levels.
  - b. Approve authorization and execution policy of executive management assigned works.
12. Determine the powers authorized to executive management, resolution taking actions and authorization term. The Board shall also specify issues which it shall keep power to resolve. Periodic reports shall be referred to executive management in regard of its practicing the authorized powers.
13. Audit and supervise performance of executive management members and procuring their accomplishment of all assigned roles so that the Board can:
  - a. Ensure that executive management work is in accordance with policies and conditions approved by the Board.
  - b. Hold periodic meetings with executive management to discuss work issues and challenges as well as presenting and discussing important information in regard of the company's activity.
  - c. Set performance measures for executive management consistent with company goals and strategy.
14. Determine the remuneration categories to be given for employees such as fixed remuneration category, long term risks and performance remunerations and Shares-like remuneration category.
15. Appoint or remove any of executive management members including the Chief Executive Officer and positions that directly report to him in the company's organizational structure, and ensure that the conditions mentioned in the provisions of Article (3-9) and regulations stipulated in Appendix 3 Mechanism for Applying the Rules of Financial Integrity and Soundness Standards to Members of the Board of Directors of Unlicensed Listed Companies of this Module.
16. Set a policy for regulating relationship with Stakeholders to protect their rights.
17. Set a mechanism to regulate dealings with Related Parties to avoid conflicts of interest.
18. Periodically ensure the applicable internal audit systems' efficiency and sufficiency in the company and Subsidiary Companies thereof, for example:
  - a. Ensuring validity of financial and accounting systems including those relate to financial reporting preparation.
  - b. Procuring the application of sound audit rules for risk measuring and management, through determining scope of risks that may face the company and constructing appropriate environment of risk prevention culture all over the company and presenting the same transparently with Stakeholders and Related Parties.
19. Develop a plan/policy for integrating Sustainability factors in the company's comprehensive strategy, main work plans, and the risk assessment and management process if required.

**Article 3-8**

In addition to the obligations stated in Article (3-7) hereof, the Board chairman shall be liable for sound and effective performance of the Board including Members of a Board of Directors and independent members' obtaining full and correct information on time. Board chairman's roles and responsibilities shall include, for example not limitation:

1. Ensure board discussion of all major matters effectively and timely.
2. Represent the company before third parties in accordance with the company's articles of association.
3. Encourage all Members of a Board of Directors to full and effective contribution to Board affairs management to ensure board acting for the company's interests.
4. Procure practical communication with shareholders and refer their opinions to the Board.
5. Encourage constructive relations and effectual participation of Board of Directors and executive management with Executive Members, non-executive members and independent members.
6. Create constructive criticism concerning issues of different points of view amongst Members of a Board of Directors.

### Article 3-9

The following conditions shall be met by the Member of the Board of Directors and Chief Executive Officer and the positions that directly report to him in the company's organizational structure:

1. No final judicial judgment shall have been issued against him that is detrimental to honour or trust, or related to money laundering, financing terrorism, capital markets crimes, or corruption crimes, unless he has been rehabilitated.
2. He must be of good reputation and conduct.
3. He shall not have been previously dismissed from his position or job by a disciplinary decision from a Regulatory Body or by a final judicial judgment.
4. He shall not have been declared bankrupt, unless he has been rehabilitated or a decision has been issued to imprison him for a debt owed.

This is in accordance with the regulations stipulated in Appendix 3 Mechanism for Applying the Rules of Financial Integrity and Soundness Standards to Members of the Board of Directors of Unlicensed Listed Companies of this Module.

The Authority may consider the circumstances of individual's rehabilitation and its recency. If he has been rehabilitated within the past five years.

The Authority may take all necessary procedures it deems appropriate to ensure that the person holding the position of board member fulfils the conditions stated in the Financial Integrity and Soundness Standards whether inside or outside the State of Kuwait throughout the period of holding the position. If any of the conditions ceases to exist, the company may suspend the person holding this position and it may re-appoint such person in the event that such standards are met.

### Article 3-10

The main role of the executive management is:

1. Execution of company strategic plans and their related policies and internal rules as well as ensuring efficiency and sufficiency of the same.
2. Full responsibility toward company general performance and work results through constructing management structure which enhances accountability and transparency.

**Article 3-11**

Below are some roles and responsibilities of the executive management to be complied with, in light of powers and authorizations granted thereto by the Board of Directors:

1. Execute all company internal policies and regulations which are approved by Board of Directors.
2. Execute annual strategy and plan approved by Board of Directors.
3. Prepare periodic reports (financial and non-financial) concerning the accomplished growth of the company's activity in light of the company strategic plans and goals and submitting these reports to Board of Directors.
4. Set integrated accounting system which keeps books, records and accounts that reflect in detail and accurately the financial statements and income accounts, which enable keeping the company's assets and preparing financial statements in accordance with international accounting standards approved by the Authority.
5. Manage daily work and activity facilitation. This is in addition to managing company resources optimally, increasing profits and decreasing expenses in accordance with the company goals and strategy.
6. Participate effectually in ethical values culture building and development in the company.
7. Set internal audit and risk management systems and ensuring efficiency and sufficiency of the same as well as commitment with risks appetite approved by the Board.

**Board of Directors shall form Independent Specialized Committees to help accomplish Board Assigned Roles**

**Article 3-12**

Forming different committees is part of the Board's responsibilities which enables the Board to effectually fulfil its roles; in accordance with each company needs and work conditions.

**Article 3-13**

Board of Directors shall consider the following:

1. Form of Board committees shall be pursuant to the internal regulations set by the Board which include determination of committee roles, term and powers and way of the board monitoring it. The committee shall inform the Board of Directors of its works and conclusions or resolutions with absolute transparency.
2. Form a number of specialized committees such as audit committee, risk management committee, nominations committee and remuneration committee at least as well as any other committees it deems necessary in accordance with each company needs, conditions and work nature.
3. Board shall declare all regulations and work rules for all its permanent committees and it shall follow up committees' work periodically to procure their fulfilment of assigned tasks.
4. Committees shall be responsible before the Board for their assigned work. However, this shall not discharge the Board of responsibility for committees' works.
5. Appoint sufficient number of Non-Executive Members of a Board of Directors in the formed committees.

**Establish a Mechanism to enable Board Members to obtain Accurate and Timely Information and Data**

**Article 3-14**

Executive management shall provide full and accurate information and data on time for all the Members of a Board of Directors, in general, and Non-Executive Members of a Board of Directors and independent Members, in particular, through setting an effective mechanism that enables Members of a Board of Directors to obtain all basic information and data helping them perform and fulfil their duties and roles efficiently and sufficiently.

**Article 3-15**

Company shall develop the basic structure of IT systems, especially reporting systems, to ensure that all reports are prepared with high quality and accuracy and that they are submitted to Members of a Board of Directors on time to facilitate timely making of resolutions.

## Chapter Four

### Rule III: Recruit Highly Qualified Candidates for the Members of a Board of Directors and the Executive Management

<b>Article 4-1</b>	<p><b>Board of Directors shall form Specialized Committee to prepare Recommendations regarding Board of Directors and Executive Management Members' Candidates and Compensations and Remunerations Policies and Regulations</b></p> <p>Board of Directors shall, after being elected by the general assembly, form nomination and remunerations committee; consisting of three members at least, provided that one member at least is independent. The committee chairman must be member of the <u>Non-Executive Members of a Board of Directors</u>. The Board shall specify committee term and mechanisms of its operation.</p>
<b>Article 4-2</b>	<p>Without prejudice to the provisions of the <u>Companies Law</u> its <u>Executive Bylaws</u>, the company shall set an apparent remuneration policy including determination of board chairman and <u>Members of a Board of Directors</u> remunerations. Independent <u>Members of a Board of Directors</u> may be excluded from the referred maximum remuneration rate pursuant to the resolution of the ordinary general assembly.</p>
<b>Article 4-3</b>	<p>Roles and responsibilities of nomination and remunerations committee shall include:</p> <ol style="list-style-type: none"> <li>1. Recommending nomination and re-nomination acceptance for <u>Members of a Board of Directors</u> and executive management members.</li> <li>2. Setting apparent policy for <u>Members of a Board of Directors</u> and executive management members' remunerations, along with annual review of the required proper skills needs for Board membership. This in addition to importing applications for executive positions as required, studying and revising the application and determining various remuneration categories to be provided for employees such as fixed, performance-based, <u>Share-like</u> and end of service remuneration categories.</li> <li>3. Designing job description for <u>Executive Members</u>, <u>Non-Executive Members of a Board of Directors</u> and independent members.</li> <li>4. Ensuring that <u>Members of a Board of Directors</u> independency is valid.</li> <li>5. Preparing a report of the total remunerations granted to <u>Members of the Board of Directors</u>, the executive body and the managers; whether cash or benefits or privileges, of whatever nature and title, directly or indirectly through the company or <u>Subsidiary Companies</u>, in accordance with Rule III (Recruit Highly Qualified Candidates for the Board membership and the Executive Management) of Appendix (2) of this Module.</li> </ol>

**Article 4-4**

Nomination and remuneration committee shall be held on a regular basis once at least per annum, if required and it shall record its minutes of meeting.



## Chapter Five

## Rule IV: Safeguard the Integrity of Financial Reporting

	<b>General Provisions</b>
<b>Article 5-1</b>	The soundness of financial statements of a company is considered an important indicator of the integrity and credibility of a company in relation to presenting the financial position thereof. Consequently, it increases the confidence of investors in data and information provided by such company and allows subscribers to have access to their rights. Therefore, such company shall develop a mechanism to verify soundness and integrity of the financial statements thereof, supervise and audit accounts of such company by the audit committee, and verify independence and integrity of external <u>Auditor</u> .
	<b>Written Undertakings of Soundness and Integrity of Financial Reporting Prepared by a Company shall be Provided by the Board of Directors and the Executive Management</b>
<b>Article 5-2</b>	The executive management shall provide the company Board of Directors with a written undertaking that the company financial reports are provided soundly and fairly, they present all financial aspects of such company, including data and operational results, and they are prepared in accordance with the International Accounting Standards approved by the <u>Authority</u> .
<b>Article 5-3</b>	The annual report submitted to shareholders by the company Board of Directors shall include undertaking of soundness and integrity of all financial statements and reports related to the company's activity.
<b>Article 5-4</b>	The undertakings set out in Article (5-2) and Article (5-3) of this Chapter shall contribute to promoting the accountability process, whether accountability of the management by the Board of Directors or accountability of the Board of Directors by the shareholder. <b>The Board of Directors shall form an Audit Committee to ensure Soundness and Integrity of Financial Reporting and Internal Audit Systems</b>

#### Article 5-5

Existence of an audit committee shall be considered a main feature indicating application of good governance, as such the committee shall incorporate the culture of liability inside the company through ensuring the soundness and integrity of financial reporting of the company, in addition to sufficiency and effectiveness of the conditions of internal audit systems applied in such a company.

Accordingly, the board of directors shall form an audit committee consistent with the nature of the company activity and having the full independence, in addition to the necessity of provision of human personnel of specialized experience at the committee, in order to perform their duties.

#### Article 5-6

Below are the audit committee main features:

1. The Board of Directors shall form an audit committee, in which the number of members shall not be less than three, provided that at least one of members shall be independent. The Board chairman or Executive Members of a Board of Directors shall not be members in such committee.
2. The committee shall include at least a member of educational qualification and/or practical experience in the accounting and financial fields and such committee shall be entitled to outsource external expertise, based on the approval by the Board of Directors.
3. The Board of Directors shall specify the membership term of the committee members and its mechanisms of its operation.
4. In case of any conflicts between the recommendations of the audit committee and the resolutions of the Board of Directors, including refusal by the Board of Directors to follow such committee recommendations in relation to external Auditors and/ or internal auditor, the Board of Directors shall include in the governance report a statement detailing clearly such recommendations and reasons of noncompliance therewith by the Board of Directors.
5. The audit committee may consult, at the company's expense, with an independent consulting entity.
6. The audit committee shall meet regularly four times at least quarterly per annum and it shall prepare the minutes thereof.
7. Regular meetings shall be held periodically with external Auditors and four times at least with the internal auditor. In addition, the internal auditor and external Auditor shall be entitled to request meeting with the committee if the work so requires without the presence of the executive management.

**Article 5-7**

Below are the audit committee powers and responsibilities:

1. Review periodical financial statements prior to their submission to the Board of Directors and provide such Board with opinion and recommendation concerning them, in order to ensure fairness and transparency of financial statements.
2. Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the external Auditors, and specify the remunerations thereof. Upon recommendation of appointment, it is considered to verify independence of such external auditors and review letters of their appointment.
3. Follow up works of external Auditors and ensure no services other than services related to audit functions are provided to the company.
4. Consider remarks of external auditors on the company financial statements and follow up measures taken regarding them.
5. Consider the applied accounting policies and provide the Board of Directors with opinion and recommendation in this regard.
6. Evaluate the extent of sufficiency of internal audit systems in place, and prepare a report including the opinion and recommendations of the committee in this regard.
7. Supervise the company's internal audit department, in order to ensure its effectiveness in performing the operations and tasks assigned by the board of directors.
8. Recommend appointment of an internal audit manager, his transfer, and removal, in addition to evaluating his performance, and the performance of the internal audit department.
9. Review and approve audit plans proposed by the internal auditor and provide feedback.
10. Review the results of the internal audit reports and ensure that the necessary corrective actions were taken concerning the observations stated in such reports.
11. Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard.
12. Verify the company compliance with related rules, policies and regulations.

Article 5-8

**Independence and Neutrality of External Auditor from the Company and the Board of Directors thereof shall be Verified**

The annual ordinary general assembly shall appoint the company Auditor, based on a proposal by the Board of Directors, provided that the following shall be considered:

1. Nomination of the Auditor shall be based on the audit committee recommendation submitted to the Board of Directors.
2. The Auditor shall be listed in the Authority's external auditors register, i.e. fulfilling all the required provisions stated in the Authority's resolution concerning the registration of external Auditors.
3. It shall be verified that the external Auditor is independent from the company and its Board of Directors and no services other than services related to the audit functions are provided to the company, which may affect the auditors' neutrality or independency.
4. Permit the Auditor to discuss opinions thereof with the audit committee prior to the submission of the annual financials to the Board of Directors to decide thereon.
5. The external Auditor shall be granted permission to attend the meetings of general assemblies and recite the report prepared thereby before shareholders, indicating any obstacles or interference by the Board of Directors, which are encountered thereby upon the performance of works. In addition, the external Auditor shall inform the Authority with any essential breach or obstacles and the details thereof.

## Chapter Six

## Rule V: Apply Sound Systems of Risk Management and Internal Audit

## General Provisions

## Article 6-1

The Board of Directors shall be able to understand and analyse the nature and extent of risks encountered by the company's activities, and be aware of environmental, social, and governance Sustainability risks, in order to reduce them as much as possible. In addition, it shall identify the proper procedure to deal therewith. This shall include identifying internal or external factors resulting in occurrence of such risks and developing appropriate measures to face the same, in light of the special strategies and policies applied in this regard, particularly the company's risk appetite.

## Article 6-2

The sound risk management requires effective internal audit systems that shall provide auditing on the soundness of financial statements and the efficiency of the company activities and shall evaluate the extent of commitment to supervisory measures.

**The Company shall have a Department/ an Office/ an Independent Unit of Risk Management, which shall identify, measure, and monitor Risks associated with the Company's Activities.**

## Article 6-3

The company organizational structure approved by the Board of Directors shall have a department/ an office/ an independent unit, which shall primarily measure, monitor, and mitigate all types of risks encountered by the company in accordance with the following:

1. The company shall apply effective systems and procedures of risk management, so that it can perform the key functions thereof, which are measuring and monitoring all types of risks exposed to by the company, provided that such process shall be conducted periodically and such systems and procedures shall be amended when necessary.
2. The company shall develop systems of periodical reports, as they are considered as one of the most important methods in the process of risks monitor and mitigation.
3. Officials of risk department/ office, unit shall be independent through the direct affiliation thereof to the Risk Committee. In addition, they shall assume a significant extent of powers, in order to perform their roles properly without being granted financial powers and authorities, or any powers or authorities that leads to conflict with their regulatory role.
4. Such risk department/ office / unit shall have qualified human cadres of professional competences and technical capabilities.
5. Review transactions to be made by the company with the Related Parties and provide proper recommendations thereof to the Board of Directors.

Article 6-4

**The Board of Directors shall form a Risk Management Committee to apply Policies and Regulations for Risk Management**

The Board of Directors shall form a committee called the risk management committee, in which the number of members shall not be less than three. The head of such committee shall be a Non-Executive Members of a Board of Directors. The chairman of the Board of Directors shall not be a member in such committee. The Board of Directors shall specify the term of membership in the committee and the working system thereof.

Article 6-5

Below are the minimum powers and roles of the risk management committee:

1. Prepare and review risk management strategies and policies prior to getting them approved by the board of directors and verify application of such strategies and policies and that they are appropriate to the company's nature and level of activities.
2. Ensure provision of resources and systems sufficient for risk management.
3. Evaluate systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the company, in order to identify areas of weakness.
4. Assist the Board of Directors to identify and evaluate the company's acceptable risk level, and ensure that the company does not exceed such level after it approval by the Board of Directors.
5. Review the organizational structure of risk management and provide recommendations in this regards prior to its approval by the Board of Directors.
6. Verify independence of the risk management employees from activities that result in subjecting the company to risks.
7. Verify that the risk management employees fully understand the risks surrounding the company and raise awareness of employees concerning risk culture.
8. Prepare periodical reports concerning the nature of risks facing the company and submitting such reports to the company's Board of Directors.
9. Review issues raised by the related audit committee, which may affect risk management in the company.
10. The risk management committee shall hold periodical meetings at least quarterly per annum and when necessary and it shall prepare the minutes thereof.

**The Company shall verify the Sufficiency of its Systems of Control and Internal Audit**

**Article 6-6**

The company shall have systems of control and internal audit that cover all the company's activities. The systems of internal audit maintain the company financial soundness, data accuracy, operations effectiveness in various aspects, provided that internal principles of the internal control of the dual audit (Four Eyes Principles) shall be considered in the organizational structure, which are:

1. Sound identification of authorities and powers.
2. Entire separation of roles and elimination of conflicts of interest.
3. Inspection and dual audit.
4. Dual signature.

**Article 6-7**

The company shall establish a department/ an office/ a unit for internal audit, which shall enjoy full technical independence, in accordance with the following:

1. It shall be affiliated to the audit committee and, accordingly, to the Board of Directors.
2. A manager of internal audit department/ office/ unit shall be appointed directly and based on nomination by the audit committee.
3. The Board of Directors shall identify the roles and responsibilities of the internal audit department/ office/ unit.

**Article 6-8**

The internal audit department/ office/ unit shall prepare a report including a review and an evaluation of the internal audit systems applied in the company, provided that the report shall include the following:

1. Procedures of audit and supervision of efficiency and effectiveness of internal audit systems necessary to protect the company assets, soundness of financial statements, efficiency of operations thereof, including the administrative, financial, and accounting aspects thereof.
2. Compare development of risk factors and the current systems to evaluate the extent of efficiency of the company's daily business operations, and its ability to encounter the unforeseen market changes.
3. Evaluate performance of the executive management in applying internal audit systems.
4. Reasons of failure in applying the internal audit or areas of weaknesses in its application, which affect or may affect the company financial performance as well as the procedure followed by the company to remedy failure in internal audit application.

**Article 6-9**

An independent audit firm shall be assigned to evaluate and review the internal audit systems and prepare a report in this regard (Internal Control Report), which shall be submitted to the Authority per annum. In addition, another auditing firm shall revise and evaluate the internal audit department/office/ unit periodically every three years, provided that both the internal audit committee and the Board of Directors shall be provided with a copy of such report.

## Chapter Seven

## Rule VI: Promote Code of Conduct and Ethical Standards

## General Provisions

## Article 7-1

Establishing the culture of code of conduct and the ethical standards inside a company promotes the confidence of investor in such company's integrity and financial soundness, as the commitment by all employees in the company, either the Members of a Board of Directors, executive management, or other employees, to the company policies and regulations as well as the legal and regulatory requirements shall result in achieving interests of all the Related Parties, particularly shareholders, without conflicts of interest and with a significant extent of transparency.

**The Company shall develop a Business Charter Including Standards and Determinants of Code of Conduct and Ethical Standards**

## Article 7-2

The Board of Directors shall develop standards and determinants that establish the company's ethical concepts and standards, while, the executive management shall be assigned to apply the company goals in accordance with such standards and determinants. Accordingly, developing a business charter for the company shall help that the board of directors and all employees will perform the roles entrusted thereto properly.

## Article 7-3

The business charter shall include a set of determinants and standards with the following as minimum:

1. Establish the principle that each Members of a Board of Directors and executive management shall abide by the laws and instructions, represent all shareholders, and abide by what is for the interest of the company, the shareholders, and other Stakeholders, without limitation to one group only.
2. The Members of a Board of Directors and executive management shall not use the official position of influence to achieve a private interest or any personal interests for them or for any third party.
3. Not to use the company assets and resources to achieve personal interests and use such assets and resources optimally to achieve the company goals.
4. Ensure developing an elaborate system and a clear mechanism that prevents the Members of a Board of Directors and employees from exploiting the information they have due to the position thereof for personal interest,; and prohibiting disclosure of the company information and data, except in the cases that permit disclosure in accordance with legal requirements.
5. Ensure developing procedures regulating operations of Related Parties.
6. Establish a clear separation between the company's interests and those related to a Members of a Board of Directors, through developing mechanisms by the board of directors for giving priority to the company's interests over the interests of the board of directors.
7. The Members of a Board of Directors shall disclose to the Board of Directors any mutual interests with the company, directly or indirectly.



8. Restrict the participation of a Members of a Board of Directors in discussing, expressing opinion, or voting on any issues presented to the Board of Directors which the board member may have a mutual interest with the company, directly or indirectly.
9. Develop a mechanism that allows the company's employees to report internally the doubts thereof concerning any unsound practices or issues that raise suspicions in the financial reports or the internal control systems or any other issues. Moreover, proper arrangements that allow conducting an independent and fair investigation concerning such issues shall be developed, along with ensuring confidentiality for the bona fide whistle-blower to ensure protecting him against any negative effect or damage that may be caused thereto due to reporting such practices.

**The Board of Directors shall develop Policies and Mechanisms to reduce the Conflicts of Interest Cases and the Methods to resolve and deal with the Same**

**Article 7-4**

The Board of Directors shall have a policy for conflict of interest, which includes clear examples of the conflict of interest cases and the methods for resolving and dealing with the same, without prejudice to the cases set out in the Companies Law.

**Article 7-5**

Any Members of a Board of Directors shall inform the Board of Directors of the personal interest related thereto in works or agreements concluded for the company and such reporting shall be listed in the minutes. The member of interest shall not be entitled to vote on the resolution issued in this regard.

**Article 7-6**

The Board chairman shall report to the general assembly at the meeting, the works and agreements, in which a Members of a Board of Directors has a personal interest, and such reporting shall be enclosed with a special report by the Auditor.

**Article 7-7**

The Company shall assign an independent expert, such as an Asset Valuator or Investment Advisor, to report to the general assembly or the Board of Directors, as the case may be, on any transaction between the company and any Related Party or any arrangement whereby each party enters into any project or financing asset where the value of the transaction or arrangement equals 5% or more of the total assets of the company, or if the transaction or the arrangement had a Material Effect on the company's financial statements, provided that such report is submitted before the transaction is approved or the arrangement stipulated in this Article.

The assigned expert must be objective and impartial in preparing the report required in this Article, and rely on the latest available information, in addition to complying with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these Bylaws.

## Chapter Eight

### Rule VII: Ensure Timely and High Quality Disclosure and Transparency

#### General Provisions

##### Article 8-1

Accurate disclosure is one of the key features of the methods of monitoring the company's activities and evaluating its performance, as it contributes in improving the levels of understanding by shareholders, investors, and the public of the company structures and activities, in addition to policies applied by such company. It also evaluates the company performance in relation to ethical standards. Moreover, accurate disclosure is considered as a factor contributing to attract capital, as it influences investors and increases the average of confidence and safety for investors in relation to the financial soundness of the company, in particular, and financial sector, in general, through allowing investors to get acquainted with all aspects related to the company activities and financial statements.

##### Article 8-2

It is important for shareholders and investor to have access to accurate disclosure of a high level of credibility and comparability to other data, so that they can evaluate the company performance and additionally take proper decisions, based on the disclosed information. Therefore, the company shall always and timely disclose all issues related to the company incorporation, financial position, performance, and ownership structure.

##### Article 8-3

One of the reasons for various financial and accounting imbalances in some companies is that the departments of such companies do not apply sound practices in the field of disclosure and transparency, in addition to the poor policies and procedures applied by the companies during the process of accurate and timely disclosure of all issues related to the company financial position, activities, and administrative and operational information.

##### Article 8-4

Accurate and timely disclosure and transparency are the most important cornerstones and rules of corporate governance that allow shareholders to access the entire rights thereof, as such disclosure helps to:

1. Establish basis of financial soundness of the company, in particular, and the financial sector in general.
2. Provide information and data for all persons who are concerned with the company, whether they are current or potential investors.
3. Provide continuous follow-up of the company events.
4. Facilitate accountability of the Board of Directors and the executive management.

**The Board of Directors shall develop Mechanisms for Presentation as well as Accurate and Transparent Disclosure**

**Article 8-5**

The Board of Directors shall develop mechanisms for presentation and accurate and transparent disclosure in accordance with the provisions set out in the Law, these Bylaws, and any instructions issued by the Authority in this regard, which identify aspects, fields, and features of disclosure, whether in relation to issues or components to be disclosed, as follows:

1. The Board of Directors shall develop mechanisms of presentation and disclosure in accordance with the following:
  - a. They shall be approved by the Board of Directors.
  - b. They shall include methods of disclosure of financial and non-financial information and data related to the company financial position, performance, and ownership through appropriate methods of disclosure, in a manner that helps Stakeholders to be fully informed with the company position.
  - c. They shall allow how to transparently disclose all the information and data timely for all Stakeholders without discrimination, provided that data and information are accurate, correct and not misleading.
  - d. They shall include mechanisms classifying disclosed information in terms of its nature (financial information, non-financial information), periodical disclosure, in addition to Material Information.
2. Mechanisms and systems of disclosure and transparency applied at the company shall be reviewed periodically to ensure compliance with the best international practice applicable in this regard. In addition, they shall be consistent with those applied by the Authority.
3. Systems for reports which specify the information to be disclosed and its mechanism of classification in terms of nature and periodical disclosure shall be prepared in accordance with the mechanisms and work systems of disclosure adopted at the company.

**The Board of Directors shall regulate Disclosure Processes related to Board Member, Executive Management, and Potential Investors**

**Article 8-6**

The company shall keep a record that includes the following:

1. Disclosures of the Members of a Board of Directors, the executive management, and the managers.
2. All data related to compensations, salaries, incentives and other financial benefits that were granted directly or indirectly by the company or Subsidiary Companies.

All shareholders of the company shall have the right to access this record during the normal working hours of the company without any fees or charges. In addition, the company must update this data record periodically to reflect the reality of the conditions of Related Parties.

**Article 8-7**

The company shall incorporate a unit of investors affairs and such unit shall be responsible for providing data, information, and reports related to potential investors thereof. Such unit of investors' affairs shall be reasonably independent, in a manner that allows it to provide data, information, and reports timely and accurately through familiar methods of disclosure, such as the company website.

**Article 8-8**

**The Company shall develop the Infrastructure for the Information Technology on which it shall significantly rely on in the Disclosure Processes**

The company shall rely on and expand the adoption of information technology, in order to communicate with shareholders, investors, and Stakeholders by creating a separate section on the company's website for corporate governance where all new information and data that may help the shareholders, and current and potential investors to have access to the rights thereof and evaluate the company's performance shall be presented.

## Chapter Nine

### Rule VIII: Respect the Rights of Shareholders

#### General Provisions

#### Article 9-1

Goals of shareholders are mainly to raise the value of investments and contributions thereof; achieve good returns of such investments; and verify that the current management of the company endeavours to maximize competitiveness and achieve high rates of growth. Conflicts between the goals of both shareholders and the company's management may negatively affect of the shareholders' rights. Accordingly, application of governance rules will ensure consistency between goals of both shareholders and the company management and promote the efficiency of the system that protects the rights thereof.

#### Article 9-2

Variations in the structure of shareholders, which is formed of a different set of individuals and institutions of varied goals and abilities, results in difficulty of assuming the responsibility of managing the company's activities by shareholders, as such responsibility shall be assumed by the Board of Directors and the team of managers. Accordingly, the rights of shareholders shall depend on a set of basic issues and tasks, such as electing the Members of a Board of Directors, forming a Board of Directors, amending the company's articles of association, approving unusual transactions, in addition to other basic tasks as specified by the Companies Law, and its Executive Bylaws, and by the articles of association of such company.

#### Article 9-3

A sound governance system ensures having access by shareholder to the basic rights thereof to a significant extent of fairness and equality, ensuring equal dealing with all shareholders and protection against breach of the rights thereof, in addition to protecting capitals of shareholders against misuse by the company managers, the Member of a Board Members, and Major Shareholders.

**Article 9-4**

**The Company shall identify and protect the General Rights of Shareholders, in order to ensure Fairness and Equality amongst all Shareholders, regardless of their Categories**

The company's articles of association and regulations shall include procedures and conditions necessary to ensure having access by all shareholders to the rights thereof, in a manner that achieve fairness and equality without contradiction with the applicable laws, regulations, resolutions and instructions issued in this regard.

**Article 9-5**

General rights of shareholders shall include:

1. List the ownership value of their shared investment in the company records.
2. Dispose Shares, including registration and transfer of ownership.
3. Receive the decided share in dividends.
4. Receive a share in company assets in case of liquidation.
5. Have access to data and information of the company activity and operational and investment strategy regularly and easily.
6. Participate in meetings of the shareholders' general assembly and vote on the resolutions thereof.
7. Elect Members of a Board of Directors.
8. Control performance of the company, in general, and the Board of Directors, in particular.
9. Hold the company's Members of a Board of Directors or the executive management accountable and file tort cases if they fail to meet roles entrusted thereto.
10. Approving any sale and purchase transactions or disposal in any way of the company's assets, if this transaction is 50% or more of the total amount of the company's assets.

**Article 9-6**

The company shall deal with all shareholders owning the same type of Shares equally and without any discrimination. The company shall not under any circumstances withhold any rights referred to in Article (9-5) of this Chapter from any group of shareholders or develop standards that discriminate groups of shareholders, in order to incorporate such rights, in a manner that does not damage the company interests or comes in contradiction with the Law, these Bylaws, and any of their issued regulations and regulatory controls.

**The Company shall consider Accuracy and On-going Monitoring of Shareholders' Data**

**Article 9-7**

For purposes of on-going monitoring of all matters related to shareholders' data, the company shall:

1. Create and keep a special record at the Clearing Agency, in which names, nationality, domicile and number of Shares owned by each holder shall be recorded. Such register of shareholders shall record any changes to the registered data according to the data received by such company or the Clearing Agency. Any party with a relevant interest may request such company or the Clearing Agency to provide them with data from the register.
2. Create and keep a special register at the Clearing Agency, in which names, nationality, domicile of Bond or Sukuk and number, value and type of Bonds or Sukuk owned by each Bond or Sukuk holder shall be recorded. Such record shall be record any changes to the registered data according to the data received by such company or the Clearing Agency. Any party with a relevant interest may request such company or the Clearing Agency to be provided with data from such record.
3. Allow the shareholders at the company to review shareholders register and verify that data are maintained according to the highest degrees of protection and confidentiality, without contradiction with the Law, these Bylaws and the regulations and regulatory controls issued by the Authority.

**The Company shall encourage shareholders to participate and vote in the Company's General Assembly Meetings**

**Article 9-8**

The right of participation by shareholders in the meeting of the company's general assemblies and voting on resolutions thereof shall be inherent right for all shareholders regardless to the different levels thereof as follows:

**Mechanism of Participation in Shareholders' General Assembly**

**Article 9-9**

The shareholders' general assembly shall be held upon the invitation of the Board of Directors within the set dates in the time and place set out at the Company Contract or the invitation for the general assembly. In addition, the Board of Directors may call the general assembly to meet based on a reasoned request by shareholders owning not less than 10% of the company capital or a request by the Auditor within 15 days as of the date of such request.

When a company organizes shareholder's general assembly, it shall:

1. Extend call for shareholders to attend the general assembly, including the agenda, time and place of holding such meeting through announcement according to the mechanism as specified in the Executive Bylaws of the Companies Law.

2. Assert that any shareholder shall be entitled to authorize another Person to attend to the general assembly in accordance with a special proxy or an authorization prepared by the company for this purpose. The Members of a Board of Directors may not participate in voting on the general assembly resolutions concerning limitation of the responsibility thereof, to management regarding a private interest for their own selves, their spouses, or first degree relatives; or a conflict between them and the company.
3. Allow shareholders, prior to holding the general assembly with sufficient time, to have access to all information and data related to the agenda, and in particular the reports of the board of directors and the Auditor and financial statements.
4. The items of the shareholders' agenda shall include the following issues as minimum:
  - a. Reading the governance report and the audit committee report.
  - b. Discussion of the Board report of the company activity, financial position, and outcomes of works thereof.
  - c. Discussion of the report of the external Auditor on the results of the company financial statements, approving the same, and the approval of the dividable net profit.
  - d. Presenting the deals with the Related Parties.
  - e. Presenting any breaches monitored by the Regulatory Body/Bodies and any penalties issued due to such breaches and led to (financial/non-financial) penalties against the company, in a manner not contradicting with the applicable laws and rules issued by the concerned Regulatory Body/Bodies in this regard, and discussing remarks of the representative of such Regulatory Body if such representative attends.
  - f. Providing a request for the Shareholders for the approval for the purchase and sale transactions or disposal in any way of the company's assets, if the transactions or actions are 50% or more of the total amount of the company's assets.
5. Allow shareholders to participate effectively in the general assembly, discuss issues listed in the agenda and the inquiries related thereto concerning various activity aspects, ask questions concerning such issues to be answered by the Members of a Board of Directors and the external Auditor, provided that the board of directors and the external Auditor shall answer such inquiries in a manner that does not harm the interests of such company.
6. Allow shareholders owning 5% of the company capital to add items to the agenda of general assembly.
7. Allow shareholders to review all data set out in the disclosure record of the Members of a Board of Directors and executive management members.
8. Issues presented to the general assembly shall be associated with sufficient information allowing shareholders to take decisions thereof properly.



## Article 9-10

### Mechanism of Voting in Shareholders' General Assembly

The company shall allow all shareholders to exercise the right of voting without placing any obstacles preventing such voting, as voting shall be an important right for shareholders and it shall not be cancelled under any circumstances. The company shall ensure that all shareholders exercise such rights through the following:

1. Shareholders shall exercise the right of voting granted thereto with equal treatment by the company.
2. Shareholders shall vote as principal or by proxy, with providing shareholders with the same rights and duties, whether as principal or by proxy.
3. Shareholder shall be informed with all the standards that govern the voting process.
4. Provide all information related to voting rights for current shareholders and potential investors and ensure availability of information for all shareholders.
5. All shareholders owning the same type of Shares shall be entitled to vote on any changes related to the rights of shareholders through a call for holding the shareholders' general assembly.
6. Vote to elect Members of a Board of Directors in the general assembly through mechanisms set forth by the company memorandum of association and articles of association and in context of those set forth in the Companies Law and its Executive Bylaws and this Module, with taking into consideration the permission included in the Companies Law to adopt the Accumulative Voting system in this regard, considering this one of the governance best practice. In addition, it is necessary to develop a mechanism providing a brief introduction of candidates for the Members of a Board of Directors and the capacity on which he wishes to nominate himself (executive/non-executive/independent) before voting. This will give shareholders a clear concept of the professional and technical skills of candidates and other experience and qualifications thereof.
7. All categories of shareholders shall have an opportunity to hold the Board of Directors accountable for the roles entrusted thereto.
8. No fees shall be charged for attendance by any category of shareholders to the general assembly and no preferential advantage shall be exclusively granted to any category of shareholders.
9. The candidate, as an independent member, shall submit a declaration to the Ministry of Commerce and Industry acknowledging that he meets the independence controls stipulated in this Module.
10. In the event that is not possible to obtain the required minimum number of independent Members in the Board of Directors through the elections of the Members of the Board of Directors at the meeting of the general assembly. The required number shall be met by replacing the non-independent Members of the Board of Directors who obtained the fewest votes with independent members through a separate election process among the non-winning candidates of this category, provided that the replacement process takes place at the same meeting.

In the event that the Members of the Board of Directors were appointed in accordance with the provisions of Article (188) of Law No. 1 of 2016 on the Promulgation of the Companies Law, the Shareholders who have representatives on the Board of Directors may participate with other Shareholders in electing the remaining independent members of the Board of Directors within the limits what exceeds the percentage used in appointing his representatives to the Board of Directors.

## Chapter Ten

## Rule IX: Recognize the Roles of Stakeholders

## General Provisions

## Article 10-1

Respecting and protecting the rights of Stakeholders shall be in accordance with related laws applicable in the State of Kuwait, such as the Labour Law and the Companies Law and its Executive Bylaws in addition to the agreements concluded between parties and any additional undertakings made by the company towards Stakeholders; as protecting the rights of Stakeholders pursuant to laws entitle them to receive actual compensations if the rights thereof are breached.

## Article 10-2

The framework of corporate governance practices shall include acknowledgment of the rights of Stakeholders and encourage the cooperation between the company and Stakeholders in various fields; as contributions of Stakeholders is a very important resource in establishing company competitiveness and in supporting the levels of its profitability.

**The Company shall develop Conditions and Policies that ensure Protection of the Rights of Stakeholders**

## Article 10-3

The company shall develop policies including rules and measures to ensure protection and acknowledgment of the rights of Stakeholders and allow them to have access to compensations, in case of any breach of the rights thereof, as set forth by the laws issued in this regard.

## Article 10-4

Without prejudice to the provisions of Article (4-1) of Module Eight (Conduct of Business) of these Bylaws, such policy developed by the company in this regard shall include the following as minimum:

1. Factors, which verify that dealing with the Members of a Board of Directors and Stakeholders is conducted in accordance with the same conditions applied by the company with various parties of Stakeholders, without any discrimination of preferential conditions.
2. The procedures to be followed in case any party breaches the obligations thereof, in addition to those applied for paying compensation. In addition to ensuring that the agreements concluded between Stakeholders and the company include and indicate such procedures in detail.
3. Mechanisms of compensating Stakeholders if the rights thereof set out by the controls and protected by the agreements are breached.
4. Mechanisms that show how the company establishes good relationships with the Clients and suppliers and keeps confidentiality of the related information.
5. Mechanisms of settlement of complaints or disputes, which may arise between a company and Stakeholders.

**Article 10-5**

In order to prevent conflicts of interest between dealings of Stakeholders, whether they are agreements, transactions with the company, and the interest of shareholders, the following shall be considered:

1. Stakeholders shall not have any advantages through dealings with agreements and transactions that take part in the company usual activities.
2. The company shall develop policies and regulations including a clear mechanism of awarding agreements and transactions of various types through transactions or various purchase orders, provided that such mechanism shall be fully disclosed.

**The Company shall encourage Stakeholders to keep track of the Company Various Activities**

**Article 10-6**

The company shall develop mechanisms and frameworks that ensure maximum benefit from contributions of Stakeholders and encourage them to keep track of the company activities, in a manner that is consistent with achieving the benefits thereof, as the company shall as minimum:

1. Allow Stakeholders to have access to information and data related to the activities thereof, in a timely and regular manner.
2. Develop a mechanism that allows Stakeholders to report the Board of Directors of any unfair practices committed by the company against them and provide a proper protection for whistle-blowers.

## Chapter Eleven

## Rule X: Encourage and Enhance Performance

## General Provisions

## Article 11-1

Continuous training of the Board Member and executive management has become a cornerstone of good governance rules, as this significantly contributes to enhance the company performance when the Board of Directors and the executive management fully exercise their roles and responsibilities entrusted thereto.

## Article 11-2

Continuous training provide the Members of a Board of Directors and executive management with proper understanding and knowledge of all issues related to the company activity and make them familiar with recent developments in administrative, financial, and economic fields through ability to do strategic plans in accordance with the company needs. This will consequently achieve the company's goals.

**The Company shall develop Mechanisms that allow the Board Members and Executive Management to attend the Training Programs and Courses Regularly**

## Article 11-3

The company shall develop mechanisms that draw the interest of the Members of a Board of Directors and executive management to training aspects through:

1. Developing orientation programs for newly appointed members, in order to ensure that they well understand the company workflow and operations. Such programs shall include the following as minimum:
  - a. Company strategy and goals.
  - b. Financial and operational aspects of all company activities.
  - c. Legal and supervisory obligations of the Members of a Board of Directors and such company.
  - d. Responsibilities and roles entrusted thereto, in addition to the powers and rights thereof.
  - e. Role of committees of the Board of Directors.
2. Approve training programs, workshops, and conferences proper to the current Members of a Board of Directors and executive management and they shall be related to the company's work and the role of the Members of a Board of Directors, in order to develop skills and experience thereof and cope with the developments, in a manner that help them to perform assignments entrusted thereto.

**The Company shall develop Systems and Mechanisms to evaluate the Performance of the Board of Directors as a whole as well as the Performance of each Board Member and Executive Management**

**Article 11-4**

The company shall develop systems and mechanisms to evaluate the performance of the Members of a Board of Directors and executive management periodically through developing a set of performance measurement indicators related to the extent of achieving strategic goals of the company, quality of risk management, and sufficiency of internal control systems. In addition, the procedures of performance evaluation and measurement shall be written apparently and transparently and they shall be disclosed for all employees.

**Article 11-5**

The company shall develop Key Performance Indicators (KPIs), in order to evaluate the Board of Directors as a whole, and the contribution of each Member of the Board of Directors and each committee thereof, in addition to evaluating the performance of executive managers on regular basis (annually), as well as identifying the areas of weaknesses and strengths, and propose to remedy the same in a manner that is consistent with the company's interest.

**Article 11-6**

Below are some KPIs, for example and without limitation:

1. Qualitative Indicators:
  - a. What is the degree of deviation between the company's projected budget and the actual achieved figures?
  - b. What is the extent of achieved progress towards the desired goals?
  - c. What is the extent of response to correct remarks identified by the Regulatory Bodies?
  - d. What is the extent of immediate response to realize problems and the ability to solve them?
  - e. What is the turnover rate of employees? To measure the degree of loyalty to the company.
  - f. What are received training courses? To what extent they are related to the work?
2. Quantitative Indicators:
  - a. Return on average assets.
  - b. Return on shareholders' average equity.
  - c. Net profit margin.

**The Board of Directors shall continually assert the Importance of Corporate Value Creation with the Employees at the Company through Continuous Endeavour to achieve the Company Strategic Goals, Key Performance Indicators, abide by Laws and Regulations and, particularly, the Corporate Governance Regulations**

**Article 11-7**

The Board of Directors shall work on value creation inside the company in the short, medium, and long term through developing procedures and mechanisms that achieve the company strategic goals and improve levels of performance, contributing effectively to the corporate value creation with employees, and stimulating them to work continually to keep the company financial soundness.

**Article 11-8**

Integrated Reporting Systems are considered as an effective method to achieve the company strategic goals and consequently create corporate value. Therefore, the company shall continually develop internal Integrated Reporting Systems applicable therein, so that they become more inclusive, as this helps the Members of a Board of Directors and executive management to take decisions systematically and soundly and achieve the interests of shareholders.

**Article 11-9**

Below are the most important features to be provided in any integrated report:

1. Focus on the Strategy:  
The report shall include a clarification of strategic goals, which the company endeavours to achieve, and the procedures and policies adopted by the company to achieve such goals. It shall also include a mechanism to link between the company's ability to achieve goals, and create and maintain corporate value inside the company.
2. Overview of company structure and business model:  
The report shall include clarification of the business model followed by the company in carrying on its business and the external factors that affect the company financial position, in addition to the efforts exerted by such company to create corporate values and maintain them in the short, medium, and long term.
3. Risks facing the company:  
The report shall present the company activities and the associated risks. Moreover, it shall indicate the levels of performance and the way they are measured, and the opportunities available for the company to expand its scope of operations and maximize its profits.
4. Projection & Overview:  
The report shall include management expectations for the company's activities, and assess the difficulties encountered thereby. In addition to identifying activities of high risks to give them priority of review, and identifying opportunities, challenges and doubts encountered by the company to achieve its strategic goals.
5. Brief, accurate, and material presentation of information:  
Information and data presented in the report shall be significantly inclusive, consistent, briefed, and accurate. Such information shall be material and important, so it facilitates the process of decision making properly by the executive management or any decision maker.
6. Periodical Reports:  
Reports shall be presented periodically and related to the company business cycle. Reports shall also be updated with recent information and developments and shall be prepared in accordance with timeframes for short, medium, and long term.

## Chapter Twelve

### Rule XI: Focus on the Importance of Corporate Social Responsibility

#### General Provisions

##### Article 12-1

The concept of social responsibility is the commitment by the company to act ethically and contribute to achieving sustainable development for the society in general and employees at the company in particular. This shall be through improving living, social, and economic conditions for workforce and families thereof, in addition to the entire society and contribution to reducing levels of unemployment and optimal utilization of its available resources.

##### Article 12-2

Success and development of companies, in particular, and financial sector, in general, can be related to the importance of companies understanding of social responsibility related to some humanitarian values, such as solidarity and sense of responsibility concerning anybody related to the company, including shareholders, employees, society members, Stakeholders or any Related Party. Therefore, if such company better understands and gives importance and value to such process, this will be positively reflected on the process of such company development and progress process, which shall consequently increase profitability and sound reputation.

##### Article 12-3

Social responsibility of in business shall rely on:

1. Continuous commitment by the company to act ethically in accordance with laws and general norms.
2. Sustainable contribution to achieve economic and social development through the following:
  - a. Attract national labour.
  - b. Improve the quality of living conditions of workforce and the families thereof, local society, and entire society.
  - c. When a company dedicates a percentage of profits for social services and projects, the general assembly shall so approve.



Article 12-4

**The Company shall seek to develop a Policy that ensures Balance between the Company Goals and Society Goals**

The company shall develop a policy that aims to achieve balance between the company goals and those of the society. Such policy shall work on developing living, social, and economic conditions of the society, in which the policy carries out its activity in several ways, but not limited to:

1. Assist in providing job opportunities and create proper conditions.
2. Support and encourage national labour and enhancing efficiency and competitiveness thereof.
3. Support small enterprises and open new prospects serving different categories of the society.
4. Design company activities consistent with economic and cultural status of the society.
5. Protect environment against pollution and other environmental damages.
6. Provide training programs to develop capacity of targeted groups in the society.
7. Contribute in the limitation of damages of negative phenomena that prevailing in the society and take voluntary charitable initiatives.

Article 12-5

**The Company shall endeavour to develop Programs and Mechanisms Helping to Highlight the Company Efforts exerted in the Field of Social Work**

The Board of Directors shall develop certain mechanisms and clear programs to highlight the role of the company in the field of social work and to develop, but not limited to, the following:

1. Indicators, through which the company performance will be linked to social responsibilities achieved thereby at the level of Stakeholders or other society categories, in addition, such performance will be compared to other companies practicing similar activities, ensuring sound development of the work plan developed by the company.
2. A mechanism to disclose goals of social responsibility assumed by the company for labours in such company. In addition, work plans of social responsibilities provided by the company shall be disclosed in accordance with the periodical reports related to the company activities.
3. Appropriate awareness and education programs ensuring good familiarity by labours at the company with goals of social responsibility exercised by the company, which shall be provided continually, in a manner that contributes in enhancing the company performance level.
4. Awareness programs for the society to introduce social responsibilities in accordance with clear work mechanisms, in a manner that enhances the highlight of issues that the company contributes to develop or enhance socially which accordingly improve the living, social, and economic conditions.



## Chapter Thirteen

### Regulatory Requirements

**Article 13-1** The Authority, Supervision Sector, Corporate Financing and Governance Department, shall annually be provided with an evidence of meeting requirements set forth in the rules of corporate governance issued by the Authority, provided that the first report shall be submitted within a period not more than ten Business Days as of the date enforcing such rules on 30 June 2016.

**Article 13-2** The Authority shall be entitled to request additional information or data considered thereby as necessary ensure meeting all requirements set forth in these rules.

#### Noncompliance

**Article 13-3** Most of these rules are primarily based on the principle of (Comply or Explain). Companies shall disclose the extent of their compliance with these rules. If any company does not comply with any of these rules, it shall identify the rule and article, which is not complied with; include it in details in the corporate report; and state reasons of noncompliance, without breach of the binding provisions set out in Law and these Bylaws or any law, regulations, rules, instructions, or other resolutions. The principle of (Comply or Explain) shall be applied to the following rules:

Rule I: Construct a Balanced Board Composition, excluding Article (2-3) of this Module.

Rule II: Establish Appropriate Roles and Responsibilities

Rule III: Recruit Highly Qualified Candidates for the Board membership and the Executive Management

Rule VI: Rule VI: Promote Code of Conduct and Ethical Standards excluding Article (7-5) and (7-7) of this Module.

Rule IX: Recognize the Roles of Stakeholders

Rule X: Encourage and Enhance Performance

Rule XI: Focus on the Importance of Corporate Social Responsibility

Except for the previous principle (Comply or Explain), the following principles shall be complied with:

Rule I: Article (2-3) of this Module: The Members of a Board of Directors shall include independent members allowing them to make decisions without pressures or obstacles.

Rule IV: Safeguard the Integrity of Financial Reporting

Rule V: Apply Sound Systems of Risk Management and Internal Audit

Rule VI: Article (7-5) and (7-7) of this Module

Rule VII: Ensure Timely and High Quality Disclosure and Transparency

Rule VIII: Respect the Rights of Shareholders

Companies shall implement the aforementioned rules. Noncompliance with these rules shall expose the company to the penalties set forth in the Law and these Bylaws.

**DISCLAIMER:**

This “translation” of the Bylaws of the Capital Markets Authority from Arabic into English is provided solely for reference. No translation can exactly reflect every aspect of an original text and accordingly this “translation” may be used for guidance but not for legal purposes. Only the Arabic original shall be considered for legal proceedings and legal actions before the competent courts of jurisdiction and in any arbitration mechanism agreed upon by contracting parties to any transaction made under the Law and the Bylaws thereof. The Capital Markets Authority shall not be responsible for any mistake, error and/or misinterpretation made or given by any party based on that party’s interpretation of the Law and the Bylaws whether arising from a reading of the Arabic text or, specifically in the context of this document, the English “translation”. The original Arabic versions, as approved and accordingly published by the Authority, shall constitute the only source of the provisions and regulations of the Law and its Bylaws.

## **Appendix 1**

### **Corporate Governance Role, Importance and Goals**

**Corporate Governance Role, Importance and Goals****First**

Proceeding from the goals of the Authority to regulate the activity of securities in a fair, competitive, and transparent manner and to enhance the public awareness concerning the activity of securities and benefits, risks, and obligations related to investment in Securities and encouraging the development of such activity, along with providing traders in securities, thus, reducing frequent potential risks in this activity, therefore, the application of a full disclosure policy achieves fairness and transparency and prevents conflict of interest and exploitation of insider information. This will regulate the relationship between shareholders, Board of Directors, and executive management in shareholding companies.

**Second**

The corporate governance rules are the principles, systems, and procedures that achieve the best protection and balance between interests of management companies, and those of shareholders, and other stakeholders related thereto. The key goal of applying corporate governance is to ensure that companies are in line with the shareholders' goals, in a manner that enhances the confidence of investors in efficiency of company performance and ability to face crises.

**Third**

Rules of corporate governance regulate the decision making process inside a company and stimulate transparency and credibility of such process. One of the most significant goals of adopting the rules of corporate governance are to protect shareholders and separate powers of the executive management which conduct business of such company, and the Board of Directors preparing and reviewing plans and policies in such company, in a manner that provides trust and enhances confidence in dealing. Such rules also enable shareholders and stakeholders to have an effective control on the company.

**Fourth**

The rules of sound corporate governance shall document the following:

1. Ethical conduct: It shall ensure compliance with ethics and good professional code of conduct in achieving interests of all related-parties with the company and transparency at presentation of financial and non-financial information.
2. Control and accountability: the importance of developing an integrated condition for control and accountability is to reveal deviations and breaches, in addition to the importance of activating the role of Stakeholders to control the company and to assert that disclosure and transparency are key components in protecting rights of stakeholders.
3. Sound administrative condition: The sound administrative condition ensures distribution of powers and authorities, separation of powers, and developing a system of incentives and rewards through evaluating performance of managers or employees at the company.

**Fifth**

The importance and benefits of corporate governance for companies, in particular, and the financial sector, in general, are:

- 1) Enhance administrative efficiency of companies  
The rules of governance stimulate the application of the sound methodology in companies' management through applying the best practice of modern administrative methods. This contributes to the development of companies; increase of their profitability; reduction of risks they are exposed to, as practices of sound governance ensures that the company management shall be assumed by a Board of Directors and a team of managers of high technical experience and efficiency, in addition to specialized committees of such Board of Directors that ensures workflow in accordance with the policy of such company and in line with goals of shareholders.
- 2) Receive a funding at a lower cost  
Application of governance rules provides an environment of trust and safety for investors. Consequently, they will have a strong motivation for Subscription in new issues of various financial instruments offered by the company. Therefore, the company will be able to provide necessary sources of funding at the lowest cost as possible.
- 3) Enhance procedures of supervision and audit  
The good practice of governance rules requires controlling practices and behaviours of officials at the company and that the company shall abide by all laws and regulations issued by the Supervisory Authorities; and follow the policies and work systems therein. Consequently, this will allow the company to practice self-control on its activities, which contributes to minimizing risks exposing by such company.
- 4) Support social role of companies  
The rules of governance encourage companies to play more effective social role, as they lead companies to expand their activities to include other activities in addition to their basic or key activities. For example, the company can conduct studies and research that benefit the company, the society, the environment, and the economy, while taking into consideration the three components of sustainable development, which are economic growth, social progress, and environment protection.
- 5) Enhance fairness, transparency, and fair treatment  
The rules of governance aim, through application of principles included therein, to enhance fairness, transparency, and fair treatment of all parties of shareholders, investors, and other stakeholders.
- 6) Minimize conflict of interest  
The rules of governance stimulate companies to follow the true method of conduct while dealing with various groups inside or outside the company and avoid all unsound practices, which may result in conflict of interest and expose the company to financial problems.

## **Appendix 2**

### **Structure of Corporate Governance Report Form**

## Rule I

### Construct a Balanced Board Composition

- Brief on the composition of the Board of Directors, as follows:

Name	Classification of the Member (Executive/ Non-Executive/ Independent), Secretary	Qualifications and experiences	Date of electing / appointing the Secretary

- Brief on the Company's Board of Directors' meetings, through the following statement:

#### Board of Directors Meetings in ..... (year)

Name of Member	Meeting No. (...) held on ..../../..	Meeting No. (...) held on ..../../..	Meeting No. (...) held on ..../../..	Meeting No. (...) held on ..../../..	Meeting No. (...) held on ..../../..	Meeting No. (...) held on ..../../..	Number of Meetings
1) .... (Chairman of the Board of Directors)							
2) .... (Vice Chairman of the Board of Directors)							
3) .... (Independent Member )							
4) Member							
5) Member							

\* The sign (a) shall be marked in the event of the attendance of the Board Member of the meeting.

\* All Board of Directors meetings held during the year should be included in the table.

- A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.
- An acknowledgment by the independent member that the controls of independence are available. A copy of the acknowledgement shall be attached to the report.

## **Rule II**

### **Establish Appropriate Roles and Responsibilities**

- Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management.
- Achievements of the Board of Directors during the year.
- Brief about the application of the formation requirements of independent specialized committees by the Board of Directors. The following information shall be mentioned about each committee:
  - Name of the committee.
  - Tasks and achievements of the committee during the year.
  - Date of the committee's formation and its term.
  - Members of the committee with their Chairman appointed.
  - Number of meetings held by the committee during the year.
- A summary of how to apply the requirements that allow the Members of the Board of Directors to obtain accurate and timely information and data.

## **Rule III**

### **Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management**

- Brief about the application of the formation requirements of the nominations and remunerations committee.
  - Report on the remunerations to the Members of the Board of Directors, the Executive Management and the managers, provided that it shall include the following information as a minimum:
1. Summary of the company's policy of compensations and incentives, specifically that related to Members of a Board of Directors, the Executive Management and the managers.



## 2. Include the two following statements:

Remunerations and benefits of Members of Board of Directors							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries total of the (year)	Annual remuneration	Committees' remuneration

\* Details of the segments and types of remuneration and benefits mentioned are examples without limitation.

Total remunerations and benefits granted to five senior executives who have received the highest remunerations. This is in addition to the Chief Executive Officer and the financial manager or their deputy, if not included *														
Total executive positions	Remunerations and Benefits through the parent company							Remunerations and Benefits through the subsidiaries						
	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)
	Monthly salaries total of (the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration	Monthly salaries total of (the year)	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Children's education allowance	Annual remuneration

\* Details of the segments and types of remuneration and benefits mentioned are examples without limitation.

## 3. Any substantial deviations from remuneration policy approved by Board of Directors.

## **Rule IV**

### **Safeguard the Integrity of Financial Reporting**

- Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports.
- Brief about the application of the formation requirements of the audit committee.
- In case of any conflicts between the recommendations of the audit committee and the resolutions of the Board of Directors, a statement shall be included detailing and clarifying the recommendations and the reason(s) of the Board of Directors non-compliance therewith .
- Verification of the independence and neutrality of the external Auditor.

## **Rule V**

### **Apply Sound Systems of Risk Management and Internal Audit**

- A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management.
- A brief about the application of the formation requirements of the risk management committee.
- Summary clarifying the control and internal audit systems.
- A brief statement on the application of the formation requirements the internal audit department/ office/ unit.

## **Rule VI**

### **Promote Code of Conduct and Ethical Standards**

- A summary of the business charter including standards and determinants of code of conduct and ethical standards.
- Summary of the policies and mechanisms on reducing the conflicts of interest.

## Rule VII

### Ensure Timely and High Quality Disclosure and Transparency

- Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas and characteristics of disclosure.
- Brief about the application of the requirements of the Board of Directors disclosure and executive management disclosures, and the managers' disclosures.
- A brief statement on the application of the formation requirements of a unit of investors affairs.
- Brief on how to develop the infrastructure for the information technology on which it shall significantly rely on in the disclosure processes.

## Rule VIII

### Respect the Rights of Shareholders

- A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders.
- A summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data.
- Brief on how to encourage shareholders to participate and vote in the company's general assembly meetings.

## Rule IX

### Recognize the Roles of Stakeholders

- Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders.
- Brief on how to encourage stakeholders to keep track of the company's various activities.

## **Rule X**

### **Encourage and Enhance Performance**

- A summary of the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly.
- Brief on how to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management.
- An overview of the Board of Director's efforts in asserting the importance of corporate value creation with the employees at the company through achieving the company's strategic goals and improving key performance indicators.

## **Rule XI**

### **Focus on the Importance of Corporate Social Responsibility**

- A summary of the development of a policy to ensure a balance between each of the company goals and society goals.
- Brief about the programs and mechanisms helping to highlight the company's efforts exerted in the field of social work.

### **Appendix 3**

## **Mechanism for Applying the Rules of Financial Integrity and Soundness Standards on Members of the Board of Directors of Unlicensed Listed Companies**

Companies listed on the Securities exchange that are not licensed by the Authority and are subject to the provisions of this module shall take into account the following:

**First: Members of the Board of Directors, Chief Executive Officer, or positions that directly report to him in the organizational structure of the company, shall comply with the Rules for Financial Integrity and Soundness Standards in the following cases:**

- When electing the new members of the Board of Directors for the next term and until the General Assembly convenes.
- When appointing the CEO and the positions that directly report to him in the organizational structure.

**Second: Refer to the certificates mentioned below to ensure that the members of the Board of Directors, the position of the CEO and the positions that directly report to him in the organizational structure meet the financial integrity and soundness standards, which are:**

- Criminal status certificate issued by the General Department of Criminal Evidence at the Ministry of Interior.
- A certificate to whom it may concern regarding the soundness of the legal position issued by the Capital Markets Authority, which includes the disciplinary penalties issued by the Disciplinary Board at the Capital Markets Authority, in addition to any statement or violations under investigation.