

Burgan Bank

Corporate Governance Manual





Introduction

This booklet has been developed by and is the exclusive property of Burgan Bank. Any attempt to copy, duplicate or modify this booklet may be considered an act of forgery and may be the subject of criminal proceedings. This booklet is given to every director, executive and employee of Burgan Bank, and the guidelines mentioned herein are considered by Burgan Bank as a necessary code of ethical behavior and good conduct to be strictly adhered to and followed by all such directors, executives, and employees of Burgan Bank; each of whom has a duty to conduct him/herself based on the principles of good faith and integrity.

Scope & Purpose

Burgan Bank (“the Bank”) is committed to the highest standards of corporate governance and recognizes that good governance is pivotal in helping the business to deliver its strategies whilst generating sustainable shareholder value and meeting its obligations towards shareholders and other stakeholders.

As an essential part of this commitment, the Bank operates within a well-defined governance structure and embeds governance principles and practices in its operations based upon the four cornerstones of accountability, transparency, fairness and integrity. The Bank follows the guidelines of the Central Bank of Kuwait and the Basel Committee recommendations on Corporate Governance as amended from time to time.

With the introduction of the new Corporate Governance Instructions published by the Central Bank of Kuwait in September 2019, The Bank took all the necessary steps to implement the guidelines within the instructions and abide by all measures required to ensure its proper reflection within our day to day business operations

The Bank also counts on the community’s support and partnership in advocating excellence in corporate governance. Hence, the Bank appeals to all other market community support for joining the Bank in contributing to a continuous enhancement of its quality by practicing good corporate governance not only for the corporate growth, but also for the prosperity of the State of Kuwait.

The Board of Directors (“the Board”), acting on the recommendations of its Corporate Governance Committee, has adopted this Corporate Governance Manual (“CG Manual”) that incorporates the established corporate governance policies and practices in accordance with the Central Bank of Kuwait instructions. Through this manual, the Board aims to promote adherence and further strengthen the Bank’s commitment to good Corporate Governance.

The provisions under this CG Manual shall apply to the Board of Directors, the Executive Management, employees and the service providers of the Bank.

This CG manual reflects the requirements and policies of the Bank that have been approved by the Board of the Bank. This CG Manual is available to the public on the Bank’s website, www.burgan.com

Application

1. Key Definitions

1.1. BOARD OF DIRECTORS

Chairman and members of the Bank's Board of Directors.

1.2. BANKS' CORPORATE GOVERNANCE

The method by which the banks' business and affairs are organized by its board of directors and executive management, which specify the framework through which the banks' goals and strategies are placed, daily operations, how to achieve goals and performance monitoring and specifying responsibilities, specialties, and decision-making in a way that achieves the principle of accountability, while noting the protection of shareholders' rights, the rights of related parties, and depositors' rights, and what it requires in terms of the necessity of constant development of strong systems to manage overall risks and the security of the banks' business to enhance general trust in the banking system and maintaining financial stability.

1.3. EXECUTIVE MANAGEMENT

Senior General Managers, as defined under the global structure of Burgan Bank Group, and C-Level executives (e.g. Group Chief Executive Officer, Deputy Group Chief Executive Officer, Group Chief Financial Officer, Chief Excellence Officer, Group Chief Human Resources & Development Officer, Group Chief Risk Officer, Group Chief Internal Auditor, etc.).

1.4. FINANCIAL REWARDS

Salaries, allowances, and other periodical or annual rewards related to performance; incentive plans, whether short-term or long-term; and any material benefits, including stock option systems.

1.5. FIRST-DEGREE RELATIVES

Parents, spouse, children, spouse's parents, and children, whether in or outside Kuwait.

1.6. GROUP

Burgan Bank along with its subsidiaries.

1.7. NON-EXECUTIVE DIRECTOR

A Board member who is not exclusively available to manage the Bank (members who are not managing directors are considered non-executive members).

1.8. INDEPENDENT DIRECTOR

A Board member who is not under the influence of any factor, which might limit his ability to consider the Bank's issues, discuss it, and take an objective decision for the benefit of the Bank.

The Independent Board members criteria is reflected in the Board Nominations and Remunerations Committee Charter, as per (the first pillar/3 - formation of the Board of CBK instructions on Corporate Governance dated September 10th 2019). The independent Board member shall also meet the minimum experience requirements stated in article (68) of Law no. (32) Of the year 1968 and its amendments as per as per CBK resolution No: (89-A/439/2019

1.9. EXECUTIVE DIRECTOR

A Board member who also handles an executive position within the bank, and is involved in its day-to-day operations.

1.10. RELATED PARTIES

In defining the related parties, the International Accounting Standard no. 24 and its amendments shall be considered (Please refer to Appendix 15 for a copy of IAS 24).

1.11. STAKEHOLDERS

Any person or party that has a relationship with the Bank such as depositors, shareholders, employees, creditors, clients, importers, society, and other related parties.

2. General Principles of Corporate Governance at the Bank

The Corporate Governance framework at the Bank ensures protection of shareholders' rights and their equal treatment, in accordance with applicable laws, regulations and instructions issued by the regulatory bodies, and incorporates the same into the Bank's policies and procedures. This includes:

- Protecting the shareholders' basic rights related to registering ownership and its transfer, participation and voting in shareholders meetings, participation in profits, and obtaining regular information about the Bank;
- Ensuring shareholders' rights in viewing and participating in decisions related to amendments to the Bank's articles of association, amendments to the capital by offering new shares, offering shares under the share option scheme for employees, or by re-purchasing shares, decisions related to any extraordinary transactions that have effects on the Bank's outcome or its operations/activities such as an acquisition, merger or sale of a tangible part of its assets or subsidiary banks;
- Encouraging effective participation of shareholders in the General Assembly meetings and acquainting them with voting rules, procedures, informing them of the date and place of the meeting with agenda at a sufficient time before the meeting. Enabling shareholders to view the General Assembly's minutes of meeting;
- Treating all shareholders equally, including small shareholders and foreign shareholders, and giving them the opportunity to question the Board and correct any violations to their rights;
- Providing timely information to shareholders to allow them to fully practice their rights. This information shall be complete and accurate without differentiating between shareholders in regards to its provision; and
- Considering that stakeholders' rights represent an important aspect of good governance and that the success of the Bank is a result of collective efforts by the stakeholders such as depositors, loan takers, employees, investors, and others who have dealings with banks.

3. Organization Structure

The Board of Directors shall approve an organizational structure which is appropriate for the Bank's business model, geographical footprint, and operating environment as well as suits the Bank's nature of activities, ensuring that there are sufficient organizational to execute the strategy approved by the Board of Directors, and facilitates effective decision making and good

governance. This shall include Internal Policies and procedures to execute:

- Clear and transparent organization structure;
- Goals specified for each administrative unit;
- Functional tasks and responsibilities specified for each administrative unit;
- The authorities, lines of communication, and direct lines of supervision for positions at different management levels to achieve dual supervision (adequately balanced over the Board and Executive Management), and adequate allocation/segregation of responsibilities;
- Adequate evidence, policies, and work procedures to execute the operations and supervise them and a job description for all positional levels in the organization structure, including specification of the qualifications and experience of those who occupy them;
- Ensure the ownership structures do not impede sound governance;
- Independent department for risk, auditing and compliance functions; and
- The Risk Appetite Framework that conforms to the strategic objectives of the bank.

Organization structure of the Bank is provided on the bank's website.

4. Board of Directors

The Bank is steered by an effective and unitary Board, which assumes responsibility for its leadership and control and is collectively responsible for promoting Bank's long-term success by directing and supervising its affairs. The Board of Directors bears full responsibility for the Bank, including placement of strategic goals for the bank, risk strategy, governance standards, and the responsibility of implementing these goals, standards, and supervision of its sound implementation; in addition to the responsibility of supervising the executive management.

4.1. BOARD COMPOSITION

The Board shall comprise sufficient number of members to allow it to form the required number of board committees, and will ensure independence in actions and decisions at all times. In abidance by CBK's new instructions on corporate governance published in September 10th 2019, the board shall comprise of eleven board members as incorporated in its article of association, with a combination of Non-executive directors, a minimum of four independent directors, and one executive director, the executive director is the Vice chairman of the board, and is also appointed as Group chief Executive Officer. Independent Board members shall not exceed half the number of the board members.

Election and renewal of the Board membership shall be done in compliance with the applicable law, rules and regulations. The changes related to the number of Board members of the Bank shall be suitably reflected through amendments in the Articles of Association to correspond to the implementation of the rules, regulations and instructions.

The Board shall serve a term of three years, at the end of which the Board shall be formed again and it shall be permissible to appoint the members

Any member that resigns shall do so in writing to the Chairman of the Board, expressing the reason thereto -if any-. The Chairman of the Board shall present the resignation of the resigned Board member to the Board for notification and for nominating an alternative member.

The post of a Director shall be deemed vacant, if such Director:

- Fails to attend four consecutive meetings without a reason acceptable to the Board;
- Dies or becomes legally incompetent or becomes otherwise incapable of performing his duties as a member of the Board;
- Is convicted of any crime of immoral nature or dishonesty;
- Is declared bankrupt or a criminal punishment given under the penal code of law;
- Resigns from his post pursuant to a written notice sent to the Chairman of the Board, provided that such resignation is notified to the Board;
- Is dismissed by a General Assembly resolution;
- Occupies another paid post in the Bank, other than the post of the Group Chief Executive Officer

- (“GCEO”)/Deputy Group Chief Executive Officer & Chief Executive Officer - Kuwait (DGCEO & CEO - Kuwait); and
- Fails to keep fulfilling any of the nomination conditions as set out by the provisions of the Law No. (32) for Year 1968 concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, CBK instructions, Companies Law as amended from time to time, and/or the bank’s articles of association.

4.2. BOARD QUALIFICATION

The Board members shall possess suitable qualification and experience, as appropriate for their position and tasks and as determined by the law and Central Bank of Kuwait regulations. The members shall have a clear understanding of their role in relation to governance, the ability to make objective decisions about the Bank’s affairs and constant knowledge of the developments inside the bank and local and international banking sectors. To that end, the Bank must provide Board Members with a suitable summary of the Bank’s business upon appointment and during their tenure as Board Members, or upon their request. In this regard:

- The Board shall comprise of diverse skills and experiences to enhance the independence of its decisions;
- The Board members shall have appropriate knowledge, experience, integrity and personal abilities, and shall adhere to sound professional practices in order to make independent and objective decisions, as well as working on sharpening their skills with suitable training;
- Each board member shall have the necessary expertise in the banking and financial business, and shall continue to develop their experience in line with banking developments globally; and
- The Board shall collectively have a sufficient amount of knowledge and experience related to important financial activities and subjects related to governance standards and effective supervision experience in financing, accounting, lending, Banking operations, payment systems, strategic planning, governance, risk management, internal control regulations, and the Bank’s systems and instructions. The Board must collectively have suitable knowledge of local, regional, and international economic developments, and the regulatory environment.

The above principle shall apply to the Board member in his/her role as a member of the Board and as a member in any Board Committee.

4.3. BOARD MEMBER DECLARATION

Each Board member shall ensure that their other commitments, including outside Board memberships, do not interfere with their duties and responsibilities as a member of the Board. No Board member shall be present on the Board of any competitor to the Bank.

Directors shall, before commencing their duties with the Bank, disclose the nature of their positions and ownership in any other organizations, including companies and public institutions, and indicate the set term of each position. Thereafter, the Directors shall promptly notify the Bank of any changes to these details.

Prior to the election/re-election of a Board member, he/she shall sign declaration forms, as required by the regulatory bodies or the Bank, pertaining to independence, conflict of interest, insider trading, and confidentiality, amongst others.

The following are some of the key circumstances that may give rise to a conflict of interest, either actual or perceived:

- The Director or any first or second-degree relative has a material financial interest (directly or indirectly) in a proposed transaction with the Bank;
- Such conflict of interest exists or is deemed to exist as per the Kuwaiti law; and
- The Board (excluding the relevant Director) has determined that such conflict of interest exists or is deemed to exist.

The Board’s approval shall be obtained for any activity a Board member performs that might result in a conflict of interest and verify that this activity does not contain this conflict.

4.4. BOARD INDUCTION

The Board shall adopt a formal induction program to familiarize with the Bank's operations and activities. The program shall take into consideration and/or include the following elements:

- The Board Nomination and Remuneration Committee (BNRC) shall provide each new Board member with the Board Induction Pack showing the member's rights, responsibilities, and duties;
- Presentations by the Executive Management on the Bank's strategic plans, business operations and activities, business units and departments, and principal officers and employees; and
- Bank's relevant policies and procedures;

The Board shall adopt a formal development program annually that takes following into consideration:

- Regularly developing the skills and experiences of the Board, especially in the areas of governance and risk management and in light of the development of the future outlook of risks faced by the Bank.
- Expanding the Board's knowledge and skills through training programs specified for it, in addition to participation in conferences and seminars in the banking and financing business field.

4.5. BOARD RESPONSIBILITIES

The Board shall have overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board shall also be responsible for providing oversight of the Executive Management. The Bank's Board members should not be members in any executive management committee, with the exception of Vice Chairman and GCEO having been an executive member.

The Board members shall exercise their independence and commitment to perform their role towards the Bank and all its stakeholders without being under an effect or influence, which may limit their ability to look into the Bank's affairs, discuss them and make a decision on it in an objective manner to protect the minority's rights.

The members of the Board shall exercise their duties towards the Bank apart from the party appointing them, protecting the interests of the shareholders, depositors, creditors, employees, and other stakeholders. as The Board will cultivate a risk culture in the bank to support business objectives, and ensure that management applies sufficient and effective measures to enhance the risk awareness of the different business units within the bank.

The Board shall manage the Bank in a professional manner and as per the laws, instructions, and internal policies.

Board members shall be aware of their responsibilities to ensure no related conflicts occur in-line with regulatory requirements.

The Board shall specify sound practices of governance for its tasks and ensure there are means that confirm that the practices are followed and they are reviewed in order to improve them. The Board shall put in place and practice sound governance standards in a way that helps it to perform its duties efficiently and conveys clearly the Bank's views and goals.

The Board shall also express opinion on the appointment and removal of the executive management and appointment of the bank's Group Chief Executive Officer who shall possess integrity, technical competence, and banking experience, and shall specify written instructions of his powers and responsibilities. The Board's approval also shall be obtained when appointing a Deputy GCEO or the appointment of executive managers such as the Group Chief Financial Officer, Group Chief Internal Auditor, Group Chief Risk Officer and Group Head of Compliance and to ensure that the available qualifications and experiences are commensurate with the nature of their jobs.

The Board should not be limited to the concept of profitability, but take into consideration the effects of risks on depositors' interest and financial stability.

The Board will oversee executive management responsibilities pertaining to fraud cases, as a top on top measure in protecting depositors and financial stability.

The Board shall ensure the performance of periodical stress testing to measure the Bank's ability to withstand shocks and high risks. The Board must have a main role in approving hypotheses and sceneries used and discuss the results of these tests and approve the procedure, which should be taken based on these results.

All banking operations that require the Board's approval (for example the Board's authority in granting loans that exceed a certain amount, its authority in approving transactions with related parties, or any other banking operations that are within the Board's functions), shall be specified in writing.

The Bank shall develop a charter / terms of reference for the Board of Directors providing them with details on their duties and responsibilities.

4.6. BOARD CHAIRMAN

The Chairman and the Vice Chairman of the Board shall be elected by the Board members, from amongst themselves.

The positions of the Chairman and the Group Chief Executive Officer (GCEO) and Kuwait CEO shall remain separated ensuring that these are not linked by any relation that may affect the independent decisions of either of them. They shall not have any relationship such as first-degree relatives or any other relationship that might affect the independent decisions of either of them. The separation in responsibilities should be via written instructions approved by the Board and reviewed when needed.

The authorities and responsibilities of the Chairman shall be automatically delegated to the Vice Chairman in the absence of the Chairman of the Board.

The responsibilities of the Chairman shall include:

- Ensure that high Corporate Governance standards are maintained within the Bank and the Group;
- Provide leadership to the Board and chairing meetings of the Board and the General Assembly;
- Monitor the overall functioning of the Board and build a constructive relationship of trust between the Board members and the Executive Management;
- Representing the Bank before others and the judiciary;
- Signing on behalf of the Board in the Bank's dealings with others;
- Taking responsibility for the execution of resolutions passed and decisions taken by the Board and abide by its recommendations;
- Ensure that the Board acts efficiently, fulfills its responsibilities and discusses all its significant issues on a timely basis;
- Calling the Board meetings, setting meetings agendas, and chairing the meetings;
- With the assistance of the Board Secretary, develop and approve the agenda of each Board meeting, taking into consideration any issues that Board members and Executive Management propose to be included in the agenda;
- Ensure sufficient information reaches all Board members and shareholders in a timely manner and ensure the Board makes its decision based on sound and clear information and basis;
- During Board meetings, encourage the process of discussion, constructive criticism, expression of opinions and viewpoints during the decision-making process and voting on the issues;
- Encourage all Directors to actively and efficiently participate in the work of the Board and its Committees in order to ensure that the Board acts in the best interests of the Bank;
- Identify and address the development needs of the Board with a view to enhance the overall effectiveness of the Board;
- Ensuring that an evaluation of the performance of the Board and Board Members is done on an annual basis through the BNRC and shall be approved by the Board of Directors.
- Supervise the role performed by the Board Secretary and ensure that the Board minutes are accurately recorded by the Secretary and have been circulated and approved by all Board members;

- Represent the Bank externally. Adopt regular communication with shareholders and communicating their views to the Board;
- Set objectives for the Board and its Committees and ensure that they are adopted ethically and independently. Ensure that an action plan for the year is prepared and an approval from the Board is obtained; and
- Follow-up on the works of the Board Committees to ensure that they are performing the assigned tasks and submit a follow-up report to the Board.

4.7. BOARD SECRETARY & CORPORATE GOVERNANCE OFFICER (CGO)

The Board Secretary shall be appointed by the Board of Directors, and shall not be dismissed except by the Board.

The Board must specify the Board Secretary's tasks in an official written manner and in a way that corresponds with the level of responsibilities.

The Board Secretary shall also be the secretary of all Board committees; He/she shall attend and minute all Board committee meetings.

The Board Secretary shall follow Board's specified procedures in regards to circulation of information between the Board members, its Committees, and the Executive Management in addition to specifying the dates of the meetings and taking the minutes of meetings.

The Board Secretary shall minute all the discussions, reservations, recommendations by independent members or any other member and voting results occurring during the Board meetings. Minutes of meeting are obligatory and shall be part of the Bank's records. The minutes shall be in Arabic and English.

The Board Secretary shall make these records available to, but not limited to, the regulatory body(ies)/ inspector(s), the Board of Directors, Internal Audit, and Compliance Group and Executive Management (as appropriate) and ensure copies of notices agendas, supported/related docs, are preserved in good order.

The Board Secretary may issue certificates as identified within the board meeting regarding all actions / decisions issued by the Board or its committees or any item discussed. Such certificates shall be considered as signed minutes until Board members' sign-off on the minutes / resolutions / resolutions passed by circulation is obtained. These documents shall be signed by both the Board members and the Board Secretary.

The responsibilities of the Board Secretary and the Board / Committee procedures shall be documented and approved by the Board.

As Corporate Governance Officer, the Board Secretary shall be the custodian of this manual, and oversee its implementation in covering the following:

- Promote a governance culture and best corporate governance practices within the bank;
- Communicate to the board and executive management all necessary governance updates / instructions as and when required by regulators should there be any;
- Regularly report to the BCGC on the Governance status of the bank;
- Provide the BCGC an annual report on the degree of the implementation of this manual;
- Ensure continuous monitoring of the execution and implementation of corporate governance practices to the minimum as specified in this manual; and
- Escalate any issues that may conflict or violate the implementation of this manual to the Board Chairman, BCGC, GCEO/DGCEO & CEO-Kuwait, and independent functions should it be deemed necessary.

4.8. BOARD OPERATIONS

The Board shall hold minimum six (6) meetings annually and one (1) meeting quarterly. Meeting by circulation are not considered within the minimum required number of meetings.

Board meetings shall be convened at written notice of the Chairman or at written request made by at least three members of the Board, whereas the Board Committee meetings would require minimum quorum as stated in each Committee Charter. The members of the Executive Management may also request the Chairman of the Board / Committee for a meeting, as may be required.

The Chairman of the Board shall determine the agenda for Board meetings in consultation with the Executive Management to identify and address significant risks and issues being faced by the Bank.

The Board members shall be provided with sufficient information and at a sufficient time before the Board meetings in order for them to study it before taking appropriate decisions.

The quorum for meetings of the Board / Committee shall be majority of its members. Members of the Management may also be called by the Chairman to attend the meeting. The Board Secretary and any guests in attendance will not be counted towards the minimum quorum.

Each Board/Committee member shall have one vote. The Board Secretary and invited attendees (other than the Board members) shall not be entitled to vote.

The resolutions of the Board shall be approved by the majority of votes of the Board/Board Committee members attending. The Board/Board Committees may pass resolutions by the way of circulation as well, preferably only for those matters, which are of an urgent nature, as agreed by the Board / Committee, resolutions passed by the way of circulation are to be approved by all Board / Committee members.

The Board / Board Committees can meet through any modern methods of communications, such as conference calls, video meetings, etc. These meeting shall be considered as the normal meeting of the board. In such kind of meeting the Board Secretary should attend the meeting. The board member should be considered as absent if he could not be joined into the meeting after three trials by the Board Secretary. The minutes of the meeting should include a detailed information regarding the method of the meeting and the actions to make the board members join the meeting. The Board Secretary shall issue a certificate regarding the meeting, this certificate should be treated as a signed Board / Committee meeting till the minutes being signed.

A Board / Committee member shall not attend or vote during a discussion pertaining to an item of the agenda, a transaction or a contract under discussion is related to him/her directly or indirectly or if he has any conflict of interest of the same, and shall advise the Board Secretary of the same in order for it to be minuted.

The Bank shall have Board approved procedure for convening Board / Committee meetings, quorum, voting, taking minutes and the resolutions.

4.9. DIVIDENDS

Each share entitles its holder to an equal share -compared to other shareholders without distinction- in the ownership of the bank`s assets and in the profits distributed. The bank shall have a special register with Kuwait Clearing Company (KCC), which contains the names of the shareholders, their nationalities, homeland and the number of shares held for each of them with the value of each share. This register shall be updated whenever required.

Dividends shall be distributed upon recommendation from the Board of Directors and approval of the General Assembly.

The Board of Directors shall determine the place and the dates for the distribution of dividends to shareholders.

5. Board Committees

In order to enhance effectiveness of its supervision over the operations of the Bank, the Board has formed following committees ("Board Committees"):

- Board Corporate Governance Committee (BCGC)

The BCGC shall essentially be responsible for assisting the Board in setting the Bank's corporate governance policies and following-up on its execution and periodic review to ensure its effectiveness. The BCGC shall include at least one independent member, and may be chaired by the Chairman if the Board.

- Board Nomination and Remuneration Committee (BNRC)

The BNRC shall be responsible for presenting recommendations to the Board regarding nomination to the Board's membership, as well as provide the criteria and verification of the necessary requirements for the nominations of Independent Board members, and review of Board structure on an annual basis, undertake performance evaluation of the overall Board and the performance of each member on annual basis, and developing Bank-wide reward policy in line with applicable laws and regulations. In addition, BNRC shall be responsible for appointment of the senior positions of the Executive Management, ensuring that these positions are occupied by qualified employees along with setting performance standards and succession plans. The BNRC shall be chaired by an independent member.

CBK Requirements with regards to Independent Board member Criteria for nomination are furnished in detail within the BNRC Charter.

- Board Audit Committee (BAC)

The BAC shall be responsible for setting and overseeing the sufficiency of internal control and audit functions of the Bank, along with ensuring compliance with applicable laws, policies, instructions and code of conduct. The BAC shall be chaired by an independent member.

- Board Risk Committee (BRC)

The BRC shall be responsible for providing review and report to the Board on the current and future risk strategy and tolerance along with supervising implementation of this strategy by the Executive Management. The BRC shall ensure existence of effective systems for risk management and independence of these functions. The BRC shall be chaired by an independent member.

- Board Credit and Investment Committee (BCIC)

Shall provide an oversight on the Bank's investment activities and make decisions within its delegated authorities and implementing the Board's decisions outside its authority.

The BCIC shall act as the focal point in the credit activity of the Bank and shall consider and grant approval on behalf of the Board and provide an oversight on the Bank's credit recovery activities and for these recovery activities make recommendation within its delegated authorities to BRC ensuring implementation of the Board's decisions outside its authority.

The Bank shall have Board approved charters for each of its Committees specifying its purpose, composition, meetings, authorities and responsibilities.

Each Board Committee shall comprise of at least three (3) Board members, and have a sufficient number of non-executive and Independent members including the Chairman of the Committee, unless otherwise specifically mentioned in the respective charter.

The Board Committee members shall be appointed by the Board and their names along with duties and responsibilities shall be disclosed in the Bank's annual report. The Chairman of the Board shall not be a member of the BNRC, the BAC and the BRC.

The members of each Board Committee shall have appropriate knowledge and experience to make independent and objective decisions. Any specific requirements in terms of academic qualification for a particular Board Committee shall be provided under the respective charter.

A member of a particular Board Committee can be a member on other Board Committees, except under situations where a conflict of interest may arise or may be construed as inappropriate due to their membership in the other Board Committee. Therefore, Committees shall avoid any means of conflict of interest upon formation.

The Chairman of each Board Committee shall be nominated by the Chairman of the Board. The Chairman of the Committee shall be responsible for overall functioning of the respective Board Committee and report to the Board following the same principles of the responsibilities of the Board Chairman, as covered earlier in the CG Manual.

The Board Committees shall meet as frequently as required with a minimum of one (1) meeting in a quarter, unless otherwise specifically mentioned in the respective charter.

The Board Chairman shall follow up the Board Committees' work on a continuous basis to ensure performance of their assigned duties, and obtain a follow-up report at least quarterly. The existence of Board Committees shall not waive the responsibility of the Board of Directors.

The Bank is steered by an effective and unitary Board, which assumes responsibility for its leadership and control and is collectively responsible for promoting Bank's long-term success by directing and supervising its affairs. The Directors are responsible for ensuring that the Board makes decisions objectively in fulfilling the Bank's public and corporate responsibilities.

6. Executive Management and Its Committees

The Executive Management at the Bank shall be appointed by the Board ensuring that they have the necessary experience, competencies and integrity to manage the Bank's business and affairs in line with standards of professional behavior, supervise the Bank's management, and have appropriate authority over the key individuals relevant to the Bank's operations.

The Executive Management shall contribute to the Bank's effective corporate governance through personal conduct (e.g. by helping to set the "tone at the top" along with the Board) and providing adequate oversight of those they manage.

The Executive Management shall actively assign duties to the staff, as appropriate and shall establish a management structure that promotes accountability and transparency. It shall oversee the exercise of assigned responsibility / authorities and shall be ultimately responsible to the Board for the performance of the Bank.

The Executive Management shall perform activities according to professional behavior standards and be responsible to:

- Ensure that the Bank's activities are consistent with its business strategy, permissible risks and policies approved by the Board;
- Participate in giving suggestions on the Bank's business strategy and annual budget;
- Implement, consistent with the direction given by the Board, appropriate systems for managing the risks (financial and non-financial) to which the Bank is exposed.
- Set effective internal control systems; and
- Prepare financial reports in accordance with the international standards and other approved standards, including instructions issued by the CBK in this regard.

The Executive Management shall supervise the Bank's business, particularly with respect to monitoring the risk and compliance functions and appropriate independence of their tasks and their division.

The Executive Management shall provide the Board with transparent and objective financial and administrative reports, at least every two months.

The Executive Management shall implement the resolutions passed by the Board without any interference in its competencies. In case any of the Board members participate in the implementation of the resolutions passed by the Board, such participation shall be based on an authorization given by the Board and the Board shall be informed of the actions taken in this respect.

The Board Committees along with the Executive Management shall form appropriate Management Committees and delegate certain authorities and responsibilities to them. The Bank shall have Board ratified charters for each Management Committee post GCEO/DGCEO & CEO-Kuwait approval, specifying its purpose, composition, meetings and responsibilities. The Bank has set-up the following Management Committees:

- Management Executive Committee (MEXCO);
- Asset Management and Liability Committee (ALCO);
- Management Audit Committee (MAC);
- Management Operations Risk and Internal Controls Committee (MORICC);
- Provision Assessment Committee (PAC);
- Management Product and Pricing Committee Charter (MPPC);
- Management Procurement Committee (MPC);
- Management Strategy and Digital Implementation Committee (MSDIC); and
- Suspicious Transaction Reporting Committee (STRC).

7. Risk Management and Internal Controls

The Board shall ensure an independent and adequate internal control system in the Bank and review its effectiveness. The Board shall establish, communicate and enforce the Bank's direction through adoption of written policies and procedures that cover every aspect of operations and management.

The Board shall, at least once a year, assess the efficiency and effectiveness of the internal controls required to protect the Bank's properties, assets, verify the reliability of financial information, and the efficiency of its operations from the administrative, financial, accounting aspects, and Information security and cyber security risk management

The Board shall use the internal and external audit's remarks and the internal control evaluation reports for enhancing the effectiveness of the Bank's performance (including the Board and the Executive Management performance).

The Bank's annual report shall include report on the internal control systems showing the responsibility of the Executive Management regarding the same, and the framework used to assess the efficiency of internal control systems, along with the Executive Management's assessment of how effective these systems are as shown in the date of the financial statements in the Bank's annual report. There shall also be disclosure regarding any critical weak points in internal controls.

The external auditors shall incorporate within the internal controls assessment annual report that is submitted to the Central Bank of Kuwait (CBK), the degree of the Bank's compliance to implementing the CBK Corporate Governance Instructions. This report shall be enclosed with the annual financial statements.

7.1. RISK GOVERNANCE FRAMEWORK

The Bank, using the three lines of defense, (mentioned below), placed and developed a strong and comprehensive system, as well as procedures for risk management. By doing so the Bank is able to identify the nature of all material risks it may be exposed to, as well as ensure the spread of risk governance culture within the Bank.

The Bank's risk governance framework contains well-defined organizational responsibilities for risk management, which is usually referred to as the three defense lines:

- **First Line of Defense:** this is represented by the business units (Business Line) monitored by the Group Internal Control Unit of the bank whose functions and activity contain possible creation of risks for the bank and therefore these groups' responsibilities include evaluating and managing these risks.

- **Second Line of Defense:** this is reflected through the Group Risk Management, Group Compliance and Group AFC Functions in the bank, the risk management is independent and complements the first defense line through monitoring and presenting reports to the management in addition to supervising the bank's risks and evaluate it independently from the first defense line. The second defense line also includes the compliance function, which includes monitoring compliance to laws and regulatory instructions and governance rules; these functions are independent of the first defense line.
- **Third Line of Defense:** this is represented in by the Internal Audit Function which is an independent of the first and second lines of defense.

7.2. RISK MANAGEMENT

The Board shall ensure that the Bank adopts an effective risk management framework, covering the following:

- Determining Bank's risk appetite / tolerance and developing comprehensive Risk Policy considering the size and nature of the Bank's operations;
- Specifying the main risks in the Bank and evaluating them, measuring the Bank's exposure to these risks and overseeing this exposure within the Bank's risk tolerance, specifying the capital needs on a periodic basis, and overseeing and evaluating decisions related to accepting certain kinds of risks, developing risk mitigation plans, and identifying responsible individuals within the Bank for implementing the risk mitigation plans and continuous risk oversight/monitoring.
- Ensure that the Bank's risk management is sound and implemented with integrity;
- Ensure that the risk management and internal controls infrastructure corresponds with the changes in risks faced by the Bank;
- The Board shall ensure independence of the Risk Management Department and shall appoint a Chief Risk Officer (CRO) with suitable qualifications and experiences required for this position and its tasks;
- The CRO shall report to the Chairman of the Board and the Chairman of the Board Risk Committee (BRC) and present the report to them;
- The CRO shall be independent and not given any financial or business targets; and
- The CRO shall not be terminated or dismissed from his position without approval from the Board and discussion with the Central Bank of Kuwait.

The Board shall bear the ultimate responsibility regardless of any responsibilities that the Risk function may have been delegated with.

7.3. INFORMATION AND CYBER SECURITY RISK SYSTEMS

Within the framework of the overall risk governance, and in light of the increasing importance of information and cyber security in the banking business, and challenges resulting from modern techniques and rapid developments, the Board of directors should be aware of such issues, and therefore focus its efforts on the selection of proper systems for the protection of the bank's information security against possible internet attack. In this regard:

- The Board of Directors shall possess sufficient knowledge and expertise related to information and cyber security risks, and approve strategies and policies for information and cyber security;
- The Board shall stress on discussing the risk appetite of information security and continuously monitor the executive management, obtaining follow-up reports on information and cyber security reports of such events, and ensure that they are aware of the latest developments;
- The bank shall establish an information security function approved by the board. The function shall be headed by a specialist, and shall operate independently from information technology; The head of the function shall present to the board reports on the bank's ability to manage information and cyber security risks and follow up on the execution of its goals with the Board Risk Committee (BRC);
- The bank shall ensure that sufficient awareness and effective training on information and cyber security is delivered to all employees including third party vendors whenever required; and
- The bank shall use a specialised independent external party to annually (or whenever required) evaluate and test the bank's ability to face and manage information and cyber security in light of the latest global practices.

7.4. COMPLIANCE GOVERNANCE

The Compliance department is considered a main factor in the framework of risk management due to the nature of the risks of non-compliance, which will result in legal and regulatory risk and penalties, financial risks, reputational risk and other risks which the Bank might face in the event of non-compliance with the laws, systems, instructions, code of professional conduct and sound banking practices.

The Bank's Management shall establish an independent compliance department within the Bank as part of the Bank's Compliance Policy and ensure that compliance officials are not placed in a position where there is a possible conflict of interest to their compliance responsibilities.

The Board, through its Board Corporate Governance Committee (BCGC), shall ensure adherence to the Compliance Policy of the Bank as approved by the Board. The Board shall assess the extent to which the Bank is managing its compliance risk effectively, at least once a year. The Board through BCGC shall approve and ensure the following:

- 1) Approval of the tasks and responsibilities of the Compliance department.
- 2) Approval of the Compliance policy to ensure the Bank is compliant with all legislation related to the Bank's activities and periodically review the policy, as well as verification of its implementation.
- 3) Ensure that the Compliance department is independent and have sufficient authorities to ensure the effectiveness of the department. The Bank's executive management should not interfere with the work of compliance while granting it authorities to access the Board.
- 4) Compliance department should inform the Board and executive management on the Bank's compliance to legislations, instructions and controls and inform it on a constant need on the latest developments within compliance.
- 5) Compliance department, must, at least once a year, specify and evaluate the subjects related to non-compliance risks, which the Bank plans on the degree of efficiency of the management of those risks.
- 6) Compliance department shall present its reports on the efficiency of the Bank's management of those risks to the Board and BCGC.
- 7) The Board and executive management must ensure the Bank fulfills the requirements of all legislations, instructions and controls related to the Bank's activities.

The responsibilities of the compliance shall be to assist the Bank Management in managing effectively the compliance risks faced by the Bank in line with the Bank's Compliance Policies and Procedures, which include, but not limited to:

- Advise the Executive Management on compliance to the laws, rules and standards, including keeping them informed on developments in these areas;
- Provide written guidance to staff on the appropriate implementation of compliance laws;
- Proactively identify, document and assess the compliance risks associated with the Bank's business activities, including the development of new products and business practices, the proposed establishment of new types of business or customer relationships, or material changes in the nature of such relationships;
- Assess the appropriateness of the Bank's compliance procedures and guidelines, promptly follow up any identified deficiencies, and, where necessary, formulate proposals for amendments;
- Report on a regular basis to the Bank Management on compliance matters.
- Meet the BAC, at least on an annual basis, without the presence of the Executive Management; and
- Undertake any specific statutory responsibilities in light of local regulations including liaising with relevant external bodies, including regulators, standard setters and external experts.

The responsibilities of the compliance department shall be carried out under a compliance program that sets out its planned activities, such as the implementation and review of specific policies and procedures, compliance risk assessment, compliance testing, and educating staff on compliance matters.

The scope and breadth of the activities of the compliance department shall be subject to periodic review by the internal audit function.

The Bank shall comply with applicable laws and regulations in all jurisdictions in which the Bank

conducts business, and the organization and structure of the compliance department and its responsibilities shall be consistent with local and international legal and regulatory requirements.

7.5. INTERNAL AUDIT

The Bank shall establish an independent department for Internal Audit, with a sufficient number of qualified personnel and ensure that they are suitably trained and rewarded.

The Board shall ensure that the scope, procedures, and periodicity of internal auditing activities correspond to the degrees of risks faced by the Bank's different activities.

Also, the Board shall approve a charter for the Internal Audit Department that considers the regulatory requirements of the Central Bank of Kuwait and the countries in which Burgan Bank's subsidiaries operate.

The Internal Audit department shall be responsible for setting the structure and scope of work of the internal audit as well as informing the BAC of any potential conflict of interest. The Internal Audit department shall not carry out any executive responsibilities.

The Internal Audit Department shall present its reports to the Board Audit Committee (BAC) and shall meet the BAC, at least on an annual basis, without the presence of the Executive Management.

The Bank shall not generally outsource any of the basic internal audit roles. The CBK's approval shall be secured for any such outsourcing and the same shall be for certain purposes and limited period of time

7.6. EXTERNAL AUDIT

The Board shall appoint an independent external auditor, based on the recommendations provided by the BAC with regards to selection, termination, rotation, remuneration for the external auditor, and any other contractual terms related to it, in addition to evaluating the objectivity of the external auditor. The Bank shall have a Board approved policy and procedure for engagement of the External Auditors. As per the corporate governance instructions, the Bank shall appoint two external auditors to achieve the (Dual Audit) principle.

The external auditor shall provide a copy of the auditing report to the BAC and shall meet with the BAC to discuss these reports and any other important remarks on the Bank's issues. These meetings shall take place in the presence of the Executive Management. The BAC shall ensure that it meets with the external auditor without the presence of the Executive Management as well at least once in a year.

8. Corporate Governance in the Group (Know Your Structure)

The overall objective for governance over the Bank's subsidiaries is to implement working principles, promoting active communication, better governance and operational practices, collaboration, and the highest standards for controls, aiming to achieve synergies and optimization of efforts within the Group.

The Board of Burgan Bank shall be responsible for the existence of sufficient governance standards for the Group. The Bank Board shall ensure that there exist suitable policies and mechanisms of governance for the Group relating to its entities structure, activities and risks.

The Bank's Board and the Executive Management shall remain well informed and aware of the Bank's operational structure and the relevant risks, the structure and organization of the Group, the goals and inter-relationships between entities and of entities with the Bank.

The Board shall remain aware and informed about the material risks and cases, which might affect the Bank as a whole and its subsidiaries. Sufficient oversight shall be exercised over subsidiary banks by the Bank while considering the legal independence of governance responsibilities of the Board members of subsidiary companies.

In this regard, the Burgan Bank's Board shall:

- Establish the governance structure that contributes to effective supervision of subsidiaries, which takes into consideration the nature, size, and complexity of the different risks facing the Group and its subsidiary companies;
- Evaluate the governance structure periodically to ensure it remains suitable for cases of growth, increased complexity and geographic expansion; and
- Approve a Subsidiary Governance policy on the Group level for subsidiaries, which shall include adherence to all governance requirements in conjunction with this manual.

9. Document Governance

Policies and procedures represent the guidelines within which the management operates, and the methodology in which the business and affairs of the Bank are governed by the Board and the Executive Management, including how they:

- Set the Bank's strategy and objectives;
- Determine the Bank's risk tolerance/appetite;
- Perform daily operations;
- Protect the interests of depositors;
- Meet shareholders obligations and take in to account the interests of other stakeholders;
- Place a suitable mechanism to handle client complaints based on applicable regulatory instructions;
- Operate the Bank in a safe and sound manner with integrity and in compliance with applicable laws and regulations; and
- Manage the Bank taking in to account not to expose the banking sector to any systemic risks.

The Bank's policies shall be reviewed and updated (as relevant) within a maximum of three years by the relevant Department (Policy Owner) - raised through the Authorized Head, in coordination with Organization & Methods Department, following the approved clearance process. However, in some cases specific periods of less than 3-years are required for certain policies and these are listed below:

- Any amendment/introduction of laws, regulations, regulatory instructions, or business needs that necessitate immediate implementation and will affect existing policy/ies, will require immediate review and amendment by the relevant/responsible Department (Policy Owner)-raised through the Authorized Head, of that affected policy, in coordination with Organization and Methods Department, following the approved clearance process; and
- Any specified named policy by regulatory body which requires annual (or other specified period) review, will require immediate review and amendment by the relevant Department (Policy Owner)-raised through the Authorized Head, in coordination with Organization and Methods Department, following the approved clearance process.

Each Department (Policy Owner) - raised through the Authorized Head, has the discretion to review and amend their policy, more frequently than the specified listed periods above, in coordination with Organization and Methods Department, following the approved clearance process.

The Board shall annually confirm adequacy of existing policies, or determine the need for any amendments therein. Retention and distribution of adopted policies and procedures shall be the responsibility of the Head of Organization and Methods Department.

10. Performance Evaluation

The Board Nomination and Remuneration Committee (BNRC) shall undertake an annual evaluation of each Board member's overall performance and his/her performance in the capacity of a member of a Board Committee, as per the Board approved policies and procedures.

The performance evaluation shall be based on a pre-set assessment criterion developed by the BNRC in coordination with the Board Corporate Governance Committee (BCGC) and approved by the Board. The assessment criteria shall be developed for the Board and its committees and shall be shared with the respective members at the beginning of the performance management cycle.

The evaluation shall include, among others as detailed in the performance evaluation procedure, the effectiveness and the activities of the members during the committee's session, the knowledge and experience of the members and assess their authorities and their leadership skills.

Documentation required to support the evaluation will be sought from the Board Secretary and/or chairman of each committee.

For the purpose of enhancing the independence and objectivity of conducting the Board and Board members evaluation annually, the BNRC may fully or partially outsource the performance evaluation process to an independent professional/expert "third party". The appointment of such third party shall be undertaken by the Board based on recommendations provided by BNRC to the Board and should be identified in the annual report and a statement made as to whether they have any other connection with the bank.

11. Compensation

The Bank shall have a written and Board approved Reward Policy for granting rewards that reflects the goals, performance and risks of the Bank, taking into consideration the safety of the Bank's operations and its financial position.

The Reward Policy shall be comprehensive covering all aspects of granting financial rewards and its components within the framework of enhancing the efficiency of risk management in the Bank. This policy shall be prepared in a way that attracts and maintains employees who possess the required experience, knowledge, and skills to perform banking business.

The Board of Directors shall bear the responsibility for establishing and supervising the Reward Policy, through the Board Nomination and Remuneration Committee (BNRC) and not delegate this responsibility to the Executive Management.

The Board, through the BNRC, shall verify that an independent annual review of the Reward Policy is undertaken by the Bank's Internal Audit Department or by an external consulting party, aimed at evaluating the Bank's commitment to financial reward granting practices.

The Bank's licensed financial subsidiaries operating in Kuwait shall be subject to Group level remuneration policies and practices. As for the Bank's subsidiaries or branches operating outside Kuwait, their respective reward policies shall be consistent with the CBK Corporate Governance Instructions, as well as the legal and regulatory requirements of the host countries.

The remuneration of the Board members shall be determined every year by the Board in compliance with the Companies Law, the Monetary and the Central Bank Law and applicable regulations. Accordingly, final approval and payment of the Board members remuneration shall be made after the General Assembly approval.

The Bank may pay additional remuneration in the amount determined by the Board, to any Director if such Director serves on any Committee or discharges any special efforts or performs any additional work in the service of the Bank in excess of his/her normal obligations as a member of the Board.

Board members shall be reimbursed for all reasonable expenses incurred by them in carrying out their duties as a Director. Approval of these expenses requires the collective approval of the Board.

12. Succession Planning

The Board shall ensure existence of plans to prepare employees with technical expertise to occupy positions of the Executive Managers and ensure that these succession plans include a statement of the qualifications and requirements that should exist in those who occupy the positions

The BNRC shall present a report on succession planning to the Board on an annual basis. The Board shall work with the BNRC to evaluate the nominated potential successors for any Executive Management position.

13. Principles and Standards of Business Conduct

13.1. CODE OF CONDUCT

The Bank shall have a Board approved policy for 'Code of Conduct' that includes a definition of conflict of interest, related party and transactions based on insider information of the Bank. Such policy shall be circulated to all the Bank's employees and Board members and their signatures shall be obtained on adherence to its content.

The Board shall ensure specifying professional standards and institutional values that enhance the integrity of the Bank, the Board members, the Executive Management, and other employees. These standards and related policies shall be published on Bank's website and the degree of adherence to it shall be specified in the governance report issued in the Bank's annual report

13.2. CONFLICT OF INTEREST

The Bank shall have written policies on conflict of interest covering its definition, independent execution, and disclosure; whether such conflict is between Board members and the Bank or between the Executive Management and the Bank.

Conflict of interest policy shall cover various aspects related to the subject of conflict of interest, such as:

- Board member shall avoid the activities, which may lead to conflict of interest;
- Board approval shall be obtained for any activity that may result in a conflict of interest and verify that the activity performed by the Board member does not contain any conflict;
- Board member shall disclose to the Board any subject, which may lead to or has already led to a conflict of interest;
- Board member shall abstain from voting or participating in discussions on any item of the agenda which might contain a conflict of interest for the member or has an effect on the objectivity of the vote, and he should leave the Board/Committee meeting till the Board/Committee takes a decision on the item which might contain a conflict of interest for him;
- All transactions with related parties shall be based on equal basis and clear mechanism established for the Board to handle the case in the event of non-compliance with conflict of interest policy; and
- The conflict of interest policy shall contain examples of cases where a conflict of interest may arise for a Board member. Some of the key circumstances that may give rise to a conflict of interest, either actual or perceived, are covered under section on Board Declaration earlier in this CG Manual.

13.3. TRANSACTIONS WITH RELATED PARTIES

The Bank shall have written policies on transactions with the related parties. These policies shall include rules and procedures for organizing transactions with such parties whether between the Bank and its employees, the Bank and its Board members or their companies, or parties related to them, including lending transactions and joint trading transactions with the Bank.

The Board shall ensure that the transactions with the related parties (including internal group transactions) are reviewed to assess risk and are subjected to appropriate restrictions (e.g. by requiring that such transactions be conducted with no preferential terms) and that corporate or business resources of the Bank are not misappropriated or misapplied. In accordance with instructions issued by CBK with this regard, transaction such as granting credit facilities to Board Member and linked with related parties shall be handled in the same manner and terms as any other similar transactions with clients without any preferential terms.

The Bank shall process proper disclosure of related parties' transactions as per international disclosure standards in this regard and any other local or regional supervisory authority, and obtain the General Assembly's approval as required by the companies' law.

13.4. DISCLOSURE AND TRANSPARENCY

The Bank shall establish Disclosure and Transparency unit with a comprehensive Disclosure and Transparency Policy approved by the Board. This policy shall serve the purpose of the Bank and other stakeholders and also raise the level of corporate governance effectiveness in the Bank. The Bank shall have a separate department responsible for disclosure, whose tasks and responsibilities shall be determined by the Board.

The Board of Directors is responsible for ensuring sufficient systems and procedures for adherence to disclosure at the suitable time whether periodically or immediately. This is to avoid what may result from the Bank's violation of instructions due to a delay in disclosure or not performing it.

Disclosure and Transparency Policy shall include all information which is required to be disclosed along with schedule and method specified by laws, regulations, decisions, and the CBK, Boursa Kuwait, the CMA, and any other regulatory instructions.

The Board shall ensure the correctness, accuracy, and integrity of the disclosed information, and ensure adherence to implementing the Bank's approved policy in this regard and provide mechanisms aiding its effective implementation.

The Board shall perform a periodic review to reconsider and assess the Disclosure and Transparency Policy in light of the surrounding changes and developments. The Executive Management shall report the relevant progress on disclosure activities to the Board, and make recommendations on how to enhance the Bank's disclosure practices in order to be in line with international leading practices.

13.5. CORPORATE GOVERNANCE REPORT

The Bank, in its annual report, shall present a corporate governance report on the degree of the Bank's adherence to the Governance Manual's articles and the reasons behind not adhering to any article that was not implemented in the specified cases where the Bank may face some practical difficulties upon implementing.

13.6. WHISTLEBLOWING

The Bank shall place policies and procedures on Fraud / Whistle Blowing Policy, including procedures enabling employees to contact the Board Chairman to communicate any concerns they might have on the possibility of violations or fraud, and in a way, that allows independent investigation into these concerns and its follow-up. These procedures shall ensure that the Bank provides the required protection for these employees to assure them they will not be threatened or penalized even when there is nothing to prove their concerns. The execution of these procedures shall be supervised by the Bank's Internal Audit Department.

13.7. BANKING CONFIDENTIALITY

The board of directors and the Executive Management shall ensure the maintenance of banking confidentiality internally, and by the bank's service providers, in the event of them viewing subjects or information characterized by banking confidentiality, the confidentiality policy is embedded within the Code of Conduct of the bank.

13.8. COOPERATION FROM BANKS' OFFICERS AND EMPLOYEES

The Board/Committee members shall have access to the Executive Management, any officer or employee of the Bank and its subsidiaries and may seek any information that falls within the remit of its responsibilities, as may be required.

The Board/Committee's access to the officers and/or employees shall maintain the highest degree of confidentiality with regards to the banks' operational data including, but not limited to, the Banks' transactions and customers.

13.9. PROFESSIONAL ADVICE

The Board/Committees may, by a resolution adopted by a majority of its members, request an experienced external consultation/opinion (including legal, financial, risk or other expert advice) on any issues related to the Bank, if it considers it necessary to support and enhance the role of the Board/Committee and provided that conflict of interests is avoided.

Board Committees may also individually adopt the same after having obtained approval from the Board.

Such external consultants/advisors may be engaged for a specific assignment or for longer durations, as may be required. While these external consultants/advisors may be called upon to attend Committee meetings, they shall not be entitled to vote.

13.10. COMPANY RECORDS

The Executive Management shall ensure that the Bank retains its records (original or copies, as may be required), including legal, accounting, financial, operational, regulatory and other records as per the Board approved Record Retention/Archiving Policy.

14. Updates to this Manual

The Board of Directors through BCGC shall annually review this CG Manual to ensure its effectiveness and shall make any necessary revisions.

Revisions to this CG Manual are the principal way of communicating and implementing changes to the corporate governance policies of the Bank, which may arise due to changes in the regulatory environment, changes in prevailing corporate governance concepts, or changes in the operations of the Bank. Such revisions provide flexibility and ensure that this CG Manual remains relevant at all times to the needs of the Bank.

Any revision to this CG Manual shall be documented and maintained with the Board Secretary & CGO, for records and references.

15. Extract from International Accounting Standard 24 (“Definitions”)

RELATED PARTY:

A person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- A person or a close member of that person’s family is related to a reporting entity if that person:
 - Has control or joint control over the reporting entity.
 - Has significant influence over the reporting entity.
 - A member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies: - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled or jointly controlled by a person identified in (a).
 - A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

RELATED PARTY TRANSACTION:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

CLOSE MEMBERS OF THE FAMILY OF A PERSON:

Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- That person’s children and spouse or domestic partner;
- Children of that person’s spouse or domestic partner; and
- Dependents of that person or that person’s spouse or domestic partner.

COMPENSATION:

Includes all employee benefits (as defined in IAS 19 Employee Benefits) including employee benefits to which IFRS 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

- Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

- Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- Termination benefits; and
- Share-based payment.

KEY MANAGEMENT PERSONNEL:

Are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Government refers to government, government agencies and similar bodies whether local, national or international.

A GOVERNMENT-RELATED ENTITY:

An entity that is controlled, jointly controlled or significantly influenced by a government.

The terms 'control' and 'investment entity', 'joint control' and 'significant influence' are defined in IFRS 10, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures respectively and are used in this Standard with the meanings specified in those IFRSs.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the context of this Standard, the following are not related parties:

- Two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
- Two ventures simply because they share joint control over a joint venture.
 - Providers of finance,
 - Trade unions,
 - Public utilities, and
 - Departments and agencies of a government that does not control, jointly control or significant influence the reporting entity,
 - Simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
- A customer, supplier, franchiser, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.