



# Al Mulla International Finance Company ("AMIFC")

## **Governance Manual**

## Table of Contents

1. Introduction .....	3
2. Governance Philosophy .....	3
3. Governance Structure .....	5
4. Governance Practices .....	6

## 1. Introduction

### 1.1. Purpose of the Document

The purpose of this document is to articulate the Governance principles adopted by the Company and communicate the same to the stakeholders.

### 1.2. Responsibility to Maintain the Document

The Chairman of the Board will be the owner of this document. A printed version of the document should be maintained with the document owner, with appropriate version controls.

The document should be reviewed at least annually and revised as may be felt necessary. Every revision should be marked with the version change and the old document should be retained for future reference and in all cases Board approval will be obtained for every revision.

The document should be modified if there are any changes in the organization structure or changes in the applicable regulatory requirements.

### 1.3. Authorization

The document is approved by the Board of Directors of the Company. The owner of the document shall propose the revisions in the same to the Board for their approval, as and when required.

## 2. Governance Philosophy

The Company views the implementation of Governance practices as integral to its operations. The Company is committed to the principles of corporate governance issued by the Central Bank of Kuwait ("CBK") and at all times complies with such practices.

The Board of Directors is committed to the ongoing implementation of governance regulations to improve governance for the benefit of all stakeholders. The Company's operations are subject to an effective governance framework.

Furthermore, this framework enables our Board Members to balance their responsibility to provide oversight with their role as providers of strategic counsel, thereby achieving a proper balance between conformance and performance. In creating the governance framework, the Board is committed to applying accepted governance practices in a practical way.

The Company's code of conduct establishes the base of the framework against which we measure behavior, practices and activities to assess the characteristics of good governance. The Company's code of conduct requires the Board Members and employees to conduct themselves with integrity at all times and displaying moral strength and behavior which promotes trust.

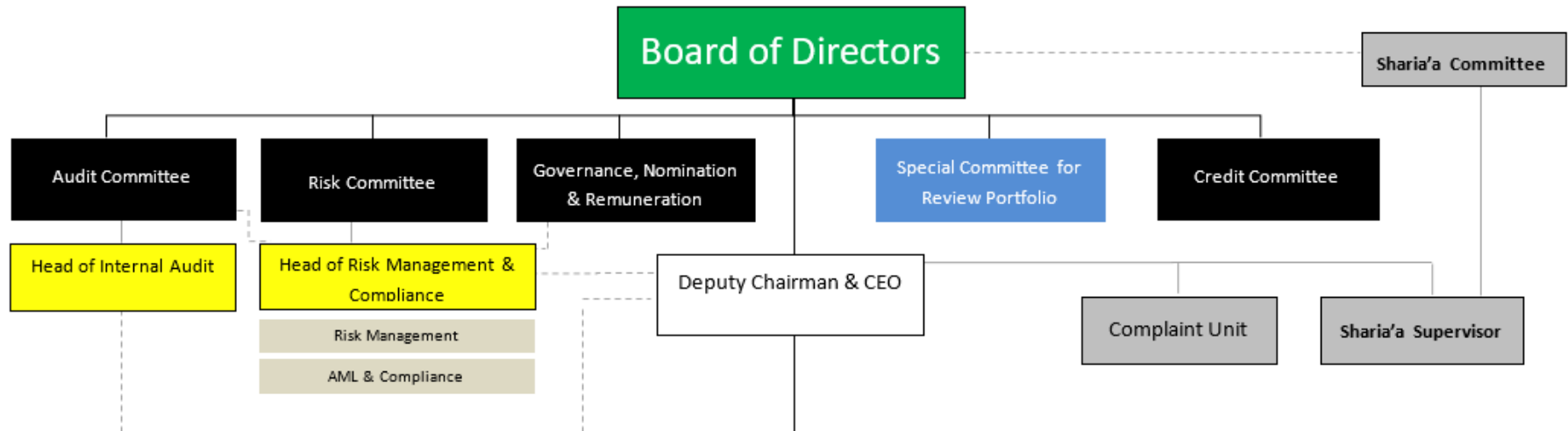
Good governance is contained in the Company's values, culture, processes, functions and organizational structure. Organizational structures are designed to formalize the oversight of all businesses and processes.

The company's governance philosophy is reflected by the values of transparency, professionalism and accountability. The company constantly strives towards betterment of these aspects and thereby perpetuates it into generating long term economic value for its shareholders, customers, employees, and other associated persons.

The following are governance objectives of the company:

- Respect, accountability and fairness towards all stakeholders.
- Create value for all stakeholders without compromising on ethical principles.
- Comply with laws in the State of Kuwait.
- Clear communication of relevant information and high degree of disclosure levels.

### 3. Governance Structure



## 4. Governance Practices

Governance practices refer to the manner in which company's affairs and businesses are organized by the Boards of Directors and Senior Management. The Company has established the following governance practices in line with the regulatory requirements.

### 4.1. Responsibilities of Board of Directors

The Board of Directors shall assume full responsibility of the company in terms of development of strategic objectives, risk strategy and governance standards and the implementation of such objectives and standards. The Board shall have the following responsibilities, at minimum:

- 4.1.1 Assuming all responsibilities pertaining to the Company's operations and financial integrity.
- 4.1.2 Ensuring the fulfillment of CBK requirements.
- 4.1.3 Protection of interests of shareholders, creditors, employees and other stakeholders.
- 4.1.4 Ensuring that the Company is reasonably managed under the applicable laws and regulations, as well as the Company's Internal policies
- 4.1.5 Supervise the executive management who is responsible for day-to-day operations.
- 4.1.6 Developing concept of general culture of Company management, through taking into account the impact of risk on interests of creditors and the financial system.
- 4.1.7 Establishing the principle of independence amongst the Board of directors, and stress the importance of the compliance by each Board member with performing his/her respective role towards the Company and its all shareholders, without being influenced by any factor that may disable him/her from examining, discussing and deciding on the Company's issues in an impartial and objective manner.
- 4.1.8 Ensure that the transactions with the related parties are reviewed and the integrity of operations are verified.
- 4.1.9 Verifying that the Company has written policies that cover all financing business activities, and such policies are applied by all administrative levels and regularly reviewed
- 4.1.10 Define and clarify, in writing, all financial transactions that require the board approval (including the Board powers to grant loans exceeding a certain amount, or its powers pertaining to the dealings with the related parties)
- 4.1.11 Assessing the performance of the CEO on an annual basis.
- 4.1.12 Conducting an annual review on the Governance practices to verify their effectiveness and introduce the needed improvements.
- 4.1.13 Seek the assistance of external experts and advisors to make use of their opinions, as and when required, in performing the duties of the Board members.

### 4.2. Composition of Board of Directors

The Board of Directors shall include adequate number of members in a way that allows it to form sufficient number of committees from the Board in order to ensure good governance practice.

The members of the Board shall have sufficient experience and specialized skills that contributes to the professionalism and independence of decision taken.

The appointment, resignation and membership criteria of members of the Board are detailed in the Board Charter.

#### **4.3. Role of the Chairperson**

The most significant role of the Chairperson is the preservation of mutual confidence among the members of the Board. In order to achieve this, the following duties have to be performed by the Chairperson, at minimum:

- 4.3.1 Ensure that Board's decisions are taken based on proper and clear bases and information, encourage and enhance the serious discussion, and guarantee the expression and discussion of different opinions and views as part of the decision-making process.
- 4.3.2 Establish a constructive relation between the Board and the Company's Executive management.
- 4.3.3 Create a culture – during the Board meetings – which encourages the constructive criticism on the issues on which views of the members are diverse, and encourage the discussion and voting process on such issues.
- 4.3.4 Ensure that the Board decisions are taken on a sound and well-informed basis.
- 4.3.5 Ensure that the company has efficient Governance standards.

#### **4.4. Board Meetings**

The Board shall hold no less than (6) meetings in a year, and (1) meeting a quarter. The minutes of meetings shall be in writing and be part of the company's records.

Reference can be made to the Board Charter for details on the Board meeting procedures.

#### **4.5. Competency of Board Members**

Every Board member shall have the skills, knowledge, experience and other characteristics that are appropriate to their responsibilities and discharge of activities of the Company.

The Board members must regularly develop and enhance their skills and experience through relevant and continuous training and education.

The Board shall collectively have sufficient knowledge and experience related to the significant financial business activities in the areas of finance, accounting, or lending and financial transactions, and knowledge in the areas of strategic planning, governance, risk, internal controls, and the company's rules and regulations.

The Board shall collectively have adequate knowledge in the local, regional, and international developments, as well as the regulatory and control environment.

#### **4.6. Board Induction and Training**

The company shall provide the members with an adequate summary on its business upon the appointment thereof, and throughout the membership period or upon request.

Reference can be made to the Board Charter for further details on board induction and training.

#### **4.7. Code of Conduct**

The Board of Directors shall define the good governance practices for its actions, and ensure the existence of methods to confirm to such practices.

Such practices shall be regularly reviewed in order to be improved.

Reference can be made to the Code of Conduct for Business Information Confidentiality Policy.

#### 4.8. Conflict of Interests

The Board shall have written policies on conflict of interest in terms of their definition, independence of implementation and disclosure.

The policy shall cover conflict of interest between Board members and the Company and between executive management and the Company.

Such policies shall handle all matters related to the issue of conflict of interest and its potential occurrence, including, for example, the following:

- 4.8.1. The Board member shall avoid the activities that likely result in a conflict of interest;
- 4.8.2. The approval of the Board of Directors on any activity by a Board member that involves a conflict of interest shall be obtained, and this activity shall be verified that it does not involve such conflict;
- 4.8.3. The Board member shall disclose of any matter that may result in or have resulted in a conflict of interest;
- 4.8.4. The Board member shall abstain from voting on any matter that involves a conflict of interest with the member, or may affect the voting objectiveness;
- 4.8.5. All dealing with related parties shall be made based on equitable bases, and the method the Board will adopt in case of non-compliance with this policy shall be defined;
- 4.8.6. The policy of conflict of interest shall include examples for the cases that constitute a conflict of interest as to the Board member.

Reference can be made to Conflict of Interest Policy for further details.

#### 4.9. Related Parties

- 4.9.1. The Company shall have written policies with regards to dealings with related parties, between
  - a. The Company and its employees;
  - b. The Company and its Board members; and
  - c. The Company and Board members' Companies, or their related parties, including the mutual lending and trading transactions.
- 4.9.2. The Company shall define its related parties in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).
- 4.9.3. The Company shall keep a register for the dealings with the related parties.
- 4.9.4. The Audit Committee shall review disclosures required to be made in respect of related party transactions.
- 4.9.5. The Company shall ensure that any dealings with existing or new related parties shall comply with the controls stipulated in the company's approved policies.
- 4.9.6. The dealings with the related parties shall be disclosed in accordance with the provisions of the International Accounting Standards (IAS) and International



Financial Reporting Standards (IFRS), and other applicable local regulatory bodies.

Reference can be made to Related Party Transaction Policy and Procedures for further details.

#### **4.10. Confidentiality of Business Information**

Confidentiality in the area of financial business is deemed to be significant component of adequate operating environment which stimulates the investment and finance business activities.

The Company shall have written policies concerning the maintenance of confidentiality of business related information, stressing on the following, at minimum:

- 4.10.1. Significance of compliance by the Board of Directors and all employees at the company with the confidentiality of the information and data of the company and its customers.
- 4.10.2. Non-disclosure of any data or information related to the company and its customers, except by the authorized employees as permitted by the laws and instructions.
- 4.10.3. Apply strict security measures to protect the clients' personal information from unauthorized access.
- 4.10.4. Non-usage of information available to the Board members or any employee of the company to realize self-benefits or interests of other relevant parties
- 4.10.5. Monitoring the implementation of such policies by the employees in charge of compliance or internal audit at the company.

Reference can be made to the Policy on Confidentiality of Business Information for further details.

#### **4.11. Legal Entities Monitoring**

- 4.11.1. The Company shall have clear policies and strategies to establish a new structure which is approved by the Board of Directors.
- 4.11.2. The Board and executive management shall observe the following, at minimum:
  - a. Avoid building up unnecessary complex structures.
  - b. Have procedures in place to approve and control the establishment of new legal entities based on specific standards, including the ability to supervise and meet the requirements necessary to the continuity of each unit.
  - c. Have a process to obtain information on structure of legal entities, including type, charter, ownership structure and activity of each legal entity.
  - d. Be aware of risks pertaining to complex structure, including lack of transparency of process risks arising from financing structures overlap and complexity.
  - e. Evaluate how these risks affect the Company's ability to manage its risks in order to identify capital requirements necessary for the group.

- f. Be aware of operational structure (ownership as well as management), processes and risks related to legal entities.
  - g. Ensure effective and proper measures to obtain and exchange information among legal entities in order to manage whole group risks and control them effectively.
- 4.11.3. To enhance good governance, the following shall be complied with, at minimum:
- a. Assess and report risks related to individual legal entities at least twice a year.
  - b. All active legal entities having their business operations and management structure should be subject to internal audit.

Reference can be made to the Policy on Incorporation and Monitoring of New Structures for further details on definition of legal entities and related policies.

#### 4.12. Responsibilities of Board Committees

The Board of Directors shall form committees in order to enhance the effectiveness of the Board's control on the significant operations of the company.

Formation of committees shall not exempt the Board from bearing the direct responsibility for all company-related matters.

The Board shall form the following committees and designate the following powers and responsibilities, at minimum:

##### 4.12.1. Audit Committee:

- a. Review the scope, results and extent of sufficiency of internal and external audit to the company.
- b. Review significant accounting and reporting issues and understand their impact on the financial statements.
- c. Review the audited financial statement including the sufficiency of the provisions before submission to the Board..
- d. Review the effectiveness of the Company's internal controls system, including information technology security and controls, sufficiency of resources allocated for control functions
- e. Ensure compliance of the company with relevant laws, policies, systems and instructions.

Reference can be made to the Audit Committee Charter for further details of the composition and functioning of the Audit committee.

##### 4.12.2. Risk Committee:

- a. Review the Company's risk appetite statement on an annual basis and recommend it to the Board for approval.
- b. Propose the terms of reference, and method for development of risk management framework.
- c. Review periodic reports and status updates on Company's risk exposures and risk management activities of the Company for review by the Board.

- d. Review reports submitted by the Head of Risk Management of the Company on a periodic basis.

Reference can be made to the Risk Committee Charter for further details of the composition and functioning of the Risk committee.

#### **4.12.3. Governance Nomination and Remuneration Committee:**

##### **A. Governance**

- a. Develop the governance manual, to be approved by the Board of Directors, in a way that be consistent with these Instructions issued by the CBK, as well as any laws or other instructions in the area of governance
- b. Follow up the implementation of the governance rules and regulations by the company, and provide the Board with an annual report on the integrity of the implementation of the rules, and the observations in this regard.
- c. Co-ordinate with the Audit Committee to ensure that the governance manual is implemented and complied with
- d. Hold regular meetings so that no less than two meetings are held in a year, with minutes of these meetings being written.

##### **B. Nomination**

- a. Submit recommendations to the Board on the nomination to the Board membership in accordance with the approved policies and criteria.
- b. Conduct an annual review on skills for the Board membership and develop a description for the skills and qualifications required for the Board membership.
- c. Conduct an annual review on the structure of the Board and submit the recommendations to the Board.
- d. Conduct an Annual assessment on the performance of the Board as a whole and of each individual member.
- e. Provide information and summaries on the background of some significant issues on the company, submit the reports and information to the Board members, and ensure that the Board members are persistently acquainted with the most recent issues related to the areas of the company's business.

##### **C. Remuneration**

- a. Develop remuneration policy and submit it to the board of directors for approval and supervise its application.
- b. Periodic review of the policy of granting remunerations or when recommended by the Board, recommendations shall be submitted to the Board to amend/update this policy.
- c. Assess practices to grant remunerations in return of future revenues with un-certainty and potentiality.
- d. Provide recommendations to the Board concerning the level and components of the head of executive body and his assistants, and officers of the same level of executive officers in the Company.

- e. Determine that the system of granting remunerations in line with the principles of sound practices in granting remunerations.
- f. On a periodic basis, the Committee shall review and approve the competitiveness of the Company's executive compensation programs.

Reference can be made to the Governance Nomination and Remuneration Committee Charter for further details of the composition and functioning of the committee.

#### 4.13. Responsibilities of the Executive Management

Executive management consists of a group of persons appointed by the Board of Directors to carry out the following responsibilities in the management of the company's operations, at minimum:

- 4.13.1. Ensure that the activities of the company are consistent with the strategy of the activity, risk tendency and policies approved by the board.
- 4.13.2. Ensure that job descriptions and effective organizational structure exists to enhance accountability and transparency.
- 4.13.3. Ensure appropriate risk management practices and policies are in place in the organization.
- 4.13.4. Ensure that effectiveness of internal control system are in place and that financial statements are prepared in accordance with reporting standards and CBK regulations
- 4.13.5. Development of proposals related to the business strategy and estimated annual budget of the company.
- 4.13.6. Ensure statutory, legal and regulatory compliance by the Company.
- 4.13.7. Provide the Board of Directors with transparent and objective financial and administrative reports, every two months, at least.
- 4.13.8. Adhere to the professional standards of conduct and set the necessary professional code of conducts for all employees to follow.

Reference can be made to the Board Charter on the Role of CEO for further details.

#### 4.14. Risk Management and Internal Controls

##### A. Risk Management

Company shall define and identify risks and their control for each unit and for the company as a whole. The risk management framework of the company shall comprise of the following, at minimum:

- 4.14.1. Comprehensive systems and procedures shall be in place to identify the nature of all risks affecting the company and manage the risks.
- 4.14.2. System for measuring risks considering the risks as a result of introducing new products or due to change in the size of activity or due to changes in the operational environment or type of portfolio or economic environment shall be implemented.
- 4.14.3. Head of the Risk and Compliance shall be appointed having relevant qualifications and experiences suitable to the nature of the function.

- 4.14.4. The Head of Risk and Compliance shall report directly to the Chairman of the Risk Committee and Chairman of the Board and submit his reports to them.
- 4.14.5. The Head of Risk and Compliance shall be independent and shall not be assigned any financial responsibilities.
- 4.14.6. The Head of Risk and Compliance shall hold meetings with the non-executive Board members and member of risk committee without attendance of executive management.
- 4.14.7. The Head of Risk and Compliance may not be dismissed or removed of his position for any reason whatsoever without obtaining the prior approval of the Board. Company shall discuss these reasons with the Central Bank of Kuwait before removing him.
- 4.14.8. The Risk function shall be independent of the divisions or units of which the risk assessment is carried out.
- 4.14.9. The Risk department shall have the access to all financial activity lines that have the potential to generate high risks to the company, and shall submit reports directly to the Chairman of Risk Committee and the Executive management.

#### **B. Internal Controls**

- 4.14.10. The Board of Directors shall ensure, on a regular basis (at least once per year) of the adequacy and effectiveness of internal control systems necessary to protect company's property and assets and the soundness of its financial statements and the efficiency of its operations.
- 4.14.11. The Company shall not outsource the work of evaluation of the adequacy of internal control systems and other advisory services to the firm who is auditing the company's accounts.
- 4.14.12. The Board shall review with the Head of Internal Audit, the plans, activities, staffing and the organizational structure of the Company's internal audit function.
- 4.14.13. The Board shall review the effectiveness of the internal audit function including, its compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

Reference can be made to the Board Charter on the Role of the Board with respect to Internal Control systems, for further details.

#### **4.15. Remuneration**

- 4.15.1 The Company shall ensure that there is adequate control over the systems and policy of giving remunerations based on sound governance standards.
- 4.15.2 The Board shall review and approve the recommendations issued by the Committee with regard to the level of remunerations suggested to be granted.
- 4.15.3 The company shall have a written policy on granting remunerations and approved by its Board of Directors.
- 4.15.4 System of granting financial remunerations shall include proper performance benchmarks.
- 4.15.5 Remuneration of the top management shall be linked to the performance of the company on the long run.

Reference can be made to the Remuneration Policy for further details on the each of the above mentioned aspects of the remuneration system in place in the company.

#### **4.16. Disclosure and Transparency**

- 4.16.1. The Company shall have a disclosure policy that is approved by the Board of Directors.
- 4.16.2. The Company shall have a mechanism to classify and collate information and disclose the same according to its nature (e.g. financial information and other information) or according to disclosure frequency (monthly, quarterly, yearly).
- 4.16.3. Finance and Accounts Dep. Shall be responsible for disclosure whose duties and responsibilities are designated by the Board.
- 4.16.4. The Company shall have control over the disclosure process with respect to standards of integrity and accuracy, manner of dealing with internal information, mechanism for preparing reports on compliance with such policy etc.

Reference can be made to the Disclosure and Transparency Policy for further details.

#### **4.17. Stakeholder's Rights**

Important stakeholder groups consist primarily of investors, customers, staff, regulatory authorities and society as a whole. The Company should ensure that the information provided to all the stakeholders is free from errors. Also, the stakeholders should be provided all the relevant information on a timely basis. The Company shall ensure the protection and acknowledgement of stakeholders' right.

The Company shall have a system in place to protect the shareholders principal rights pertaining to ownership registration, transfer, participation and voting in shareholders' meetings, profit sharing, and obtaining regular information about the company.

Reference can be made to Stakeholders' Rights Policy and Procedure for further details.