

شركة الاستثمارات الوطنية  
NATIONAL INVESTMENTS COMPANY

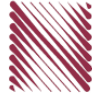


شركة الاستثمارات الوطنية  
NATIONAL INVESTMENTS COMPANY

# Corporate Governance Framework

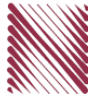
Version 5

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## ***Introduction***

As described by the Organization for Economic Co-operation and Development (OECD), Corporate Governance (CG) is “procedures & processes according to which an organization is directed and controlled”. The CG structure specifies the distribution of rights and responsibilities among the different participants in the organization, such as the board, managers, shareholders and other stakeholders and lays down the rules and procedures of decision making.

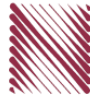
The Corporate Governance framework of the Company sets systems, structures and processes targeting institutional discipline in accordance with international and regulatory standards as prescribed by the respective regulatory authorities. This is achieved by assigning the duties and responsibilities of the organization’s board and executive management, and taking into consideration the protection of the rights of shareholders and all other stakeholders.

The Board, Senior Management and all employees of National Investments Company (NIC) are committed to effective Corporate Governance and to observing the highest standard of behaviour and conduct to maintain the international standards of CG and regulatory authorities’ instructions.

Since the Capital Market Authority (CMA) published its new executive bylaws on November 9, 2015, NIC was committed to redevelop its framework in order to promote transparency and efficiency, as well as to be consistent with the rules of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

The framework includes:

- The contract between the Company, the shareholders and the stakeholders.
- The distribution of responsibilities.
- The procedure for reconciling conflict between the interests of stakeholders.
- The procedures for proper supervision, control, and information.

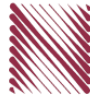


## ***A. Board of Directors***

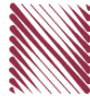
- The Board has overall responsibilities for the company, including approving and overseeing the implementation of the company's strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of the company's senior management including CEO.

### **The responsibilities of the Board as per set by the CMA**

- NIC Corporate Governance framework is ensuring the strategic guidance of the company, the effective monitoring of management by the Board, and the Board's accountability to the company and the shareholders.
  1. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the shareholders.
  2. Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.
  3. The Board should apply high ethical standards. It should take into account the interest of stakeholders.
  4. The Board should fulfil certain key functions including:
    - 4.1 Approving company major goals, strategic, plans and policies such as
      - a. The company comprehensive strategy, main work plans, reviewing and directing the same.
      - b. Company ideal capital structure and financial goals.
      - c. Apparent policy for profits distribution of various types (cash/non-cash) so that shareholders' and company's interests are accomplished.
      - d. Performance goals, execution pursuing and company comprehensive performance.
      - e. Company organizational and employment structures and periodic review thereof.
  5. Acknowledging annual estimated budgets and approving phase and annual financial information.



6. Supervising company main capital charges, assets ownership and disposing of the same.
7. Ensuring the company's commitment with policies and procedures that procure the company's compliance with internal applicable rules and regulations.
8. Safeguarding accuracy and validity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and rules.
9. Pursuing performance of each member of the Board of Directors and executive management members subject to Key Performance Indicators (KPI's).
10. Preparing annual report to be cited in the annual general assembly including the requirements and procedures of completing Corporate Governance rules and commitment degree thereof.
11. Forming specialized committees where period, powers and responsibilities of the committees are clarified and how the Board shall monitor it. Formation resolution shall also include titles of members and determining their roles, rights and duties. This is in addition to assessing performance and works of the committees and their members.
12. Ensuring that company certified policies and conditions are transparent and clear so the resolutions' taking and wise governance principles are applied, this in addition to separating powers and authorities of both the Board of Directors and executive management.
13. Determine the powers authorized to executive management, resolution taking actions and authorization term. The Board shall also specify issues which it shall keep power to resolve.
14. Determine the remuneration categories to be given for employees such as fixed remuneration category, long term risks and performance remunerations and shares-like remuneration category.
15. Set a policy for regulating relationship with stakeholders to protect their rights.
16. Set a mechanism to regulate dealings with related parties to avoid conflict of interest.
17. Periodically ensure the applicable internal audit systems' efficiency and sufficiency in the company and its subsidiaries thereof.
18. Any members of Board of Directors shall inform the Board of the personal interest related thereto in works or agreements concluded for the company



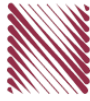
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and such reporting shall be listed in the minutes. The member of interest shall not be entitled to vote on the resolution issued in this regard.

19. The Board chairman shall report to the general assembly at the meeting, the works and agreements, in which a member of a board of directors has a personal interest, and such reporting shall be enclosed with a special report by the auditor.
20. The company shall assign an independent expert, such an asset valuator or investment advisor, to report to the general assembly or the board of directors, as the case may be, on any transaction between the company and any related party or any agreement whereby each party enters into any project or financing asset where the value of the transaction or arrangement equals 10% or more of the total assets of the company, provided that such report is submitted before the transaction is approved or the arrangement stipulated in this point.

## **Oversight of Executive Management**

- The Board appoints a Chief Executive Officer (CEO) with technical competency and wide range of investment experience of the Company. Approval of the Board is also obtained prior to appointment of all Executive Management positions reporting to the CEO or the Chairman of the Board. This in addition to separating powers and authorities of both the Board of Directors and executive management. In this regard, the Board shall:
  1. Approve internal rules and regulations concerning the company work and improvement, and any subsequent roles, specializations, roles and responsibilities amongst different organizational levels.
  2. Approve authorization and execution policy of executive management assigned duties.
  3. Audit and supervise performance of executive management members and procuring their accomplishment of all assigned roles so that the Board can:
    - 3.1 Ensure that executive management work is in accordance with policies and conditions approved by the Board.



- 3.2 Hold periodic meetings with executive management to discuss work issues and challenges as well as presenting and discussing important information in regard of the company's activity.
  - 3.3 Set performance measures for executive management consistent with company goals and strategy.
4. Appoint or remove any of executive management members including CEO.

### **Delegation of Authority**

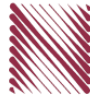
- The Board has delegated the task of running the day to day operations of the company to the company's executive management headed by the CEO through written / approved delegated financial and operational authorities

### **Board Composition**

- The company has an adequate number and appropriate composition of Board members to enable the company from the necessary number of Board standing Committees in conformity with the governance requirements of book # 15 of the CMA executive bylaw.

### **Organization and Functioning of the Board**

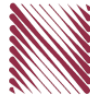
- The Board meets as often as it deems fit but at least 6 times a year with at least 1 meeting in every quarter. The minutes of the meetings shall be mandatory and constitute part of the Company's record.
- The Chairman, in consultation with the executive management, proposes the important and comprehensive topics to be included in the agenda of each Board meeting and ensure that the Board members are provided with sufficient information enough time before each Board meeting so as to be able make informed decisions.
- The Board secretary takes records of all Board discussions, suggestions by the Board members and results of voting conducted in the Board sessions.



## Board Secretary

- The overall role of the Board secretary is to assist the Board and its Chairperson in running Board affairs including but not limited to:
  1. Ensuring timely development of Board agendas in conjunction with the Chairman and CEO.
  2. Ensuring good delivery and distribution of information and coordination amongst the Board and other stakeholders in the company including shareholders and different departments in the company.
  3. Drafting and maintaining minutes of Board meetings.
  4. Carrying out any instructions of the Board.



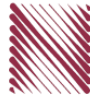


## ***B. Internal Control and Risk Management***

One key emerging trend has been to ensure the independence of Risk Management and other control functions that are responsible for identifying high lighting and managing the various risk areas of an organization.

### **Internal Control Function**

- The Company has established efficient and effective internal control systems.
- The Board approves the company’s organizational structure consistent with the company’s strategy and activities, job descriptions with details roles and responsibilities, and formal policies and procedures for all company’s functions and processes, the implementation of which is monitored by Internal Audit. Such policies and procedures determine the duties and responsibilities of each function, the authorities and reporting lines on different management levels in a way that realizes dual control and segregation of duties in order to avoid conflict of functions.
- The company conduct an annual Internal Control Review (ICR) through certified independent auditors other than the company’s external auditors to ensure the adequacy of the internal control systems.
- The company’s Whistle-Blowing Policy has set procedures enabling employees to contact the Board Chairman to communicate their concerns regarding potential violations that may be carried out by any member of the company (“Whistle-Blower”). The company ensures that whistle-blowers are protected and that they are not subject to any threats or penalties in case their legitimate concerns are proved incorrect

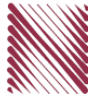


## **Risk Management Function**

- The company has an independent department of Risk Management, which identify, measure, and monitor Risks associated with the company's activities.
- While the Risk Management function is independent from the other business units, it has access to all internal and external business lines, so as to understand them or request certain related information to assess exposures in an appropriate way.
- The head of Risk Management (HRM) is responsible for the company's risk management function and has direct access to the Board Risk Committee. The HRM has the authority to influence the company's decisions pertaining to exposure to risks. The HRM is appointed by a recommendation from Risk Management Committee prior to the Board's approval and his/her services cannot be terminated or dismissed from his/her position for any reason without the prior approval of the Board.

## **Risk Committee**

- The Board Risk Committee comprises of three Board non-executive members including Committee Chairperson, one of whom is an independent board member. This Committee is responsible for giving advice to the Board on the company's present and future risk strategy, appetite and monitoring senior management implementation of this strategy.
- The Risk Committee shall review Risk Management policies and strategies prior to the Board's approval. Senior management shall be responsible for implementing these strategies in addition to developing the policies and procedures for managing all types of risks.
- The senior management shall lay down risk management structure, role, responsibilities and methods of development, provided that the structure and role are reviewed by the Risk Committee prior to the Board's approval.
- The Head of Risk Management presents reports directly to the Chairman of the Risk Committee.

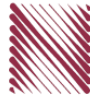


## **Internal Audit**

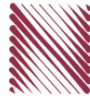
- The Company is outsourcing the internal audit function that is being held by a registered independent firm registered by the CMA.
- In addition, NIC Board of Directors has appointed an Internal Auditor in charge to be responsible of coordinating the IA functions & ensuring its efficiency. Such a person is approved & registered by the CMA.
- The primary objective of the Internal Audit is to assist Board of Directors (through the Internal Audit Committee) and Management in the discharge of their management and oversight responsibilities through independent audits and review designed to evaluate and enhance the effectiveness of risk management, internal control systems, information systems and governance processes within the Company. The scope of Internal Audit covers all business, operational and support units of the Company, including controlled subsidiaries.
- The key responsibilities of the Internal Audit function include the following:
  1. Review the adequacy and effectiveness of internal control systems.
  2. Review the Company's compliance with applicable laws and regulations.
  3. Appraise sufficiency of an adherence to the Company's approved policies and procedures.

## **Internal Audit Committee**

- The Internal Audit Committee comprises of three Board members as per CMA by law, the committee should include at least one non-executive member, one of whom shall be the Chairperson of the Committee. At least one member of the Internal Audit Committee shall be qualified in financial business. NIC is keen to implement all CMA conditions to ensure the efficiency of the committee.



- The main responsibilities of the Internal Audit Committee as per set by the CMA are as following:
  1. Review periodical financial statements prior to their submission to the Board of Directors and provide such Board with opinion and recommendation concerning them, in order to ensure fairness and transparency of financial statements.
  2. Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the external auditors, and specify the remunerations thereof.
  3. Follow up works of external auditors and ensure no services other than services related to audit functions are provided to the Company.
  4. Consider remarks of external auditors on the Company financial statements and follow up measures taken accordingly.
  5. Evaluate the extent of sufficiency of internal audit systems in place, and prepare a report including the opinion and recommendations of the committee in this regard.
  6. Review and approve audit plans proposed by the internal auditor and provide feedback.
  7. Review the results of the internal audit reports and ensure that the necessary corrective actions were taken.
  8. Review the outcomes of the regulatory bodies' reports and ensure that necessary action was taken.

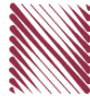


## ***C. Performance Management***

- Performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization. The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results.
- To create sense of participation amongst the staff, there is need for introduction of fair performance related reward schemes supplemented by better employment conditions and motivation to develop institutional loyalty and dedication.
- Performance management is not only on employees' level, it is set by CMA corporate Governance regulations to be on Board level as well as executive's level.
- Each level in the organisation starting the Board of directors is to be assessed and measured according to Key performance indicators.

## **Remuneration & Nomination Committee**

- It is formed of the Board and consists of at least three board members, including at least one independent member and the committee Chairman must be member of the non-executive members of the Board.
- The key functions of the Committee on the part of remuneration include but are not limited to:
  1. Setting apparent policy for members of a Board of Directors and executive management member's remunerations, along with annual review of the required proper skills needs for Board membership. This in addition to importing applications for executive positions as required, studying and revising the application and determining various remuneration categories to be provided for employees such as fixed, performance-based, share-like and end of services remuneration categories.
  2. Preparing detailed annual report for all remuneration given to members of a Board of Directors and executive management members, whether cash or benefits or privileges, of whatever nature and title. However,



this report shall be referred to the general assembly for approval and to be read by the Board Chairman.

### **Key Features of Remuneration Policy**

Based on the best practices, the remuneration policy of an organization should set out the basis for the remuneration of all staff and should be aligned with the organization's long-term performance and risk as well as regulatory requirements. The policy should reflect an organization's objective, taking into consideration the soundness of the organization's operations and financial position.

The key elements of remuneration policy have been outlined below:

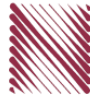
#### **Objective**

- Incorporate all aspects and components of financial remunerations;
- Align with company's strategic objectives, enforce effective risk management and promote sustained profitability;
- Maintain highly qualified, skilled and knowledgeable professionals required for performing the business;
- Be aligned to the financial performance and risk profile of the organization;
- Maintain sound remuneration governance, disclosure and transparency; and
- Be in compliance with regulatory requirements.

#### **Governance**

- Remuneration policy should be reviewed by board remuneration committee and approved by the board on an annual basis.
- The board can engage the services of external consultants or an internal audit of the organization to identify the gaps within the remuneration process.
- Risk management should be involved in setting up the risk parameters for assessing the performance of the executive management.
- The roles and responsibilities of all key stakeholders should be clearly defined, including the board, board remuneration committee, risk management, internal audit and human resources division.

**The remuneration policy will be discussed in details in a separate manual.**

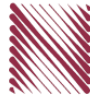


## ***D. Disclosure and transparency***

Disclosure helps improve public understanding of the structure and activities of NIC, corporate policies and performance with respect to environmental and ethical standards, and company's relationships with stakeholders. It is an essential tool that reflects NIC efficiency, protect investors and enhance their confidence.

### **Disclosure should include, but not be limited to, material information on:**

1. The financial and operation results of the company.
2. Company objective.
3. Major share ownership.
4. Remuneration policy for member of the board and key executives, and information about board members, including their qualifications.
5. Related party transactions.
6. Governance structure and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.
7. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure.
8. An annual audit should be conducted by an independent, competent and qualified, auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.
9. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.
10. Channels for disclosed material information should provide for equal, timely and cost-efficient access to relevant information by users

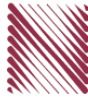


## **Conflict of interest**

From time to time NIC board members may encounter conflicts of interest when participating in the decision-making process, as other professional or personal roles intersect. As per CMA corporate governance module number 15 of its executive bylaw, NIC board members shall declare a conflict of interest before it arises as well as being mindful of the following:

- 6.1.1 The members of board of directors and executive management shall not use the official position of influence to achieve a private interest or any personal interests for them or for any third party.
- 6.1.2 Not to use the company assets and resources to achieve personal interests and use such assets and resources optimally to achieve the company goals.
- 6.1.3 The members of a board of directors shall disclose to the board of directors any mutual interests with the company, directly or indirectly.
- 6.1.4 Restrict the participation of a members of a board of directors in discussing, expressing opinion, or voting on any issues presented to the board of directors which the board member may have a mutual interest with the company, directly or indirectly.
- 6.1.5 Any members of a board of directors shall inform the board of directors of the personal interest related thereto in works or agreements concluded for the company and such reporting shall be listed in the minutes. The member of interest shall not be entitled to vote on the resolution issued in this regard.
- 6.1.6 The board chairman shall report to the general assembly at the meeting, the works and agreements, in which a member of a board of directors has a personal interest, and such reporting shall be enclosed with a special report by the company' auditor.





## ***E. Protection of Stakeholders' Rights***

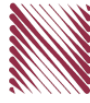
### **Objectives**

- The objective of this section is to ensure NIC's shareholders are practicing their basic rights with a high level of integrity and equality which guarantees a professional dealing to all shareholders, and safeguard them from violation of their rights.
- Furthermore, safeguarding the Shareholders capital investment from misuse that could occur through the company's executives or board of directors.
- The Stakeholders rights/interests should also be recognized and safeguarded through the Kuwaiti laws such as the labour law, Companies law and its executive regulations, the contracts signed between the Company and the Stakeholders, and any other promises undertaken by the company towards the stakeholders.
- Stakeholder's contribution/interest to the company creates a very strategic and lucrative return that results in a competitive advantage and increases profitability, therefore Stakeholders rights should be recognized, safeguarded and encouraged.

### **Protection of Shareholders' Equity**

NIC should focus on certain rules and controls for the protection of shareholder's equity and treating the same equally as well as protection of minority interests in terms of the following:

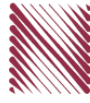
- Protect the basic rights of shareholder in relation to the registration, assignment and transfer of ownership as well as the participation and voting in shareholders meetings and also participating in NIC's dividends and obtaining regular information about the company.
- Shareholders participate in the decisions mainly related to:
  - Amendments in NIC's Memorandum & Articles of Association;
  - Amendments to the capital through offering new shares or offering certain shares under staff share purchase option system or share repurchases; and



- Any extraordinary transactions such as the merger or sale of a substantial amount of NIC's assets or assigning any affiliated companies.
- Assure and ensure shareholders' effective participation in General Assembly meetings and keep them well informed of the voting procedures and rules. Shareholders should be notified of the date of the General Assembly and the agenda before a reasonable period from the time of meeting.
- Confirm the equal treatment of all shareholders.

### **General Rights of Shareholders**

- Record the amount of the investors' shareholding in company's records.
- The shareholder has the right to have the share ownership registered or to transfer the ownership and rights through a power of attorney or a special authorization defined by the company for this matter.
- Receive the declared share of the dividends distributed.
- Receive a share in the company's assets in case of liquidation.
- Receive information and data relating to company's activities, its operational strategy and investment strategy on a periodic basis.
- Participate in the company's general assembly and vote on its decisions, unless the subject of vote is related to the shareholder's personal interest
- Elect Board of Directors members.
- Hold the Board of Directors or executive management accountable and sue them for responsibility in case if they fail to perform the tasks given to them.
- The company must treat all shareholders' holdings without discrimination. Each shareholder has voting rights equal to the number of shares registered in his name. In addition, the company should not withhold any of the above-mentioned rights from any category of shareholders for any reason, or set in place any standards which might lead to discrimination among shareholders in practicing these rights, while not causing any damage to company's interest or non-compliance with the law and its bylaws and any of the instructions and regulatory controls issued under it.



### **Maintenance of Shareholder Related Information**

For the purpose of continuous monitoring over all the matters related to shareholders data, the company should do the following:

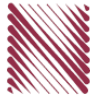
- The company should establish a special register at the clearing agency to record in the following: shareholders' names, nationality, home country, and the number of shares they own.
- The company should allow shareholders to view the shareholders register.
- The data recorded in this register should be dealt with high level of confidentiality and security and that without violating the law and the bylaws and any of the instructions and regulatory controls issued under it.

7.2 NIC is always keen to have mechanisms that encourage Participation and voting in the General Assembly Meetings as per corporate Governance regulations, best practice, Companies law issued by MOCI and NIC's articles of association.

### **Stakeholder's rights**

Stakeholders are those individuals, institutions and bodies connected to NIC (such as borrowers, creditors, investors, employees, and the society as a whole).

- NIC's policies and practices should:
  - Recognize the rights of stakeholders as established by the laws and regulations, and encourage cooperation between NIC and its stakeholders in supporting development, creating jobs for the national manpower, and the fostering of the financial soundness of these corporations;
  - Realize that an important aspect of good governance is to ensure funds' inflows and that their interest lies in the long term into supporting wealth creation through joint cooperation and all stakeholders' participation;

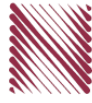


- Encompass principles that provide necessary protection to stakeholders' rights, particularly the rights of investors, borrowers and shareholders, so as to guarantee the safeguard of its financial positions and to activate its role in serving the society and the economic development process; and
  - Ensure the rights of stakeholders to obtain effective redress for violation of their rights.
- Where stakeholders participate in the corporate governance process, they should have access to relevant information, according to the nature of their participation.

### **Protection of stakeholder's rights**

The rules and procedures which would ensure the protection and acknowledgement of stakeholders' right including the following:

- The protection rights of the Board of Directors members and related parties conform to the various stakeholders' parties, without any discrimination or preferential conditions.
- The procedures that will be followed in case any party fails to fulfil any of its commitments, as well as the procedures to be followed for paying compensation shall be noted within the contracts held between the company and stakeholders.
- A mechanism for compensating stakeholders in case of violation of their rights which are set by regulations and protected by contracts.
- A mechanism demonstrating how the company builds strong relationships with clients and vendors and maintains confidentiality with respect to their information.
- A mechanism for settling complaints or disputes which could arise between companies and stakeholders.
- The company should set in place policies and internal charters which include a clear mechanism for awarding different kinds of contracts and deals either through tenders or various purchase orders. The mechanism should be fully disclosed.

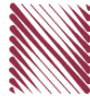


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- Stakeholders do not get any preference through dealing in contracts and deals that are carried out under company's regular activities.

### **Participation of Stakeholders**

- The company should set mechanisms and charters that would ensure maximum benefit is received from stakeholders' contributions and encourage stakeholders to participate in monitoring its activities.
- Periodically, provide stakeholders with access to reliable information and data which are relevant to their activities on a timely basis.
- Set appropriate mechanisms that would allow stakeholders to report to the company's Board of Directors on any improper practices which the company exposes them to while providing them with adequate protection.



## ***F. Code of Conduct & Ethics***

- This Code of Ethics and Business Conduct sets forth principles that you must follow in your activities as a director, officer, or employee of National Investments Company (NIC). It also covers your obligations to NIC, should you leave the Company. It should be read together with other applicable Company policies and procedures.
- The Code of Ethics does not cover every legal or ethical issue that you may face at the Company. Indeed, no code can attempt to anticipate the myriad issues that arise in any business. However, by following this Code and other Company policies and procedures, by adhering to the letter and the spirit of all applicable laws and regulations, and above all by applying sound judgment to your activities, you can demonstrate your commitment to the Company's values.

### **Purpose**

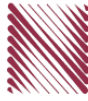
- The purpose of this Code of Ethics and Professional Conduct for employees is to:
  - A. Reduce the risk of code of conduct violations.
  - B. Set clear guidelines for appropriate behaviour internally.
  - C. Provide a standardized message for all NIC employees.
  - D. Enhance NIC's image for employees and outsiders.

### **Scope**

- This Code of Ethics and Professional Conduct is applicable to all directors, officers, and employees of NIC.

### **Audience**

- All executives, officers and employees at NIC will have access to the document.

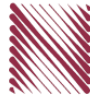


## **General Principles**

- The employee shall consider the Company's interest to be as his/her main objective when working at the Company. The employee shall use his/her competences and expertise in the best way possible in order to achieve this within the framework of his/her duties at the Company.
- The employee, when conducting his/her tasks and duties as stipulated in the employment contract and the Human Resources Policy Manual, shall avoid any personal interests and goals by abiding by neutrality, objectivity, transparency, integrity, credibility, and cautiousness. He/she shall execute the work assigned to him/her with accuracy and honesty in line with the provisions of rules adopted by the Company.
- The employee, when conducting his/her duties at the Company, shall carefully observe the Company's policies, and all the rules, regulations, and resolutions issued by any of the regulatory bodies.
- The employee, within the framework of the Company, shall consistently maintain the Company's independency away from any external influence regarding his/her work or the Company's work.
- The employee, especially if he/she is occupying a leading or supervisory position at the Company, shall set a role model by maintaining full credibility when performing his/her work duties and adopting the appropriate professional and personal conduct.

## **Principles of the Code**

- 1. Follow both the letter & the spirit of the law and NIC policies.**
- 2. Act in the best interests of stakeholders, the Company and the public.**
- 3. Identifying, Managing, and Reporting Conflicts:**



### 3.1. Potential Business Conflicts

- Conflicts of interest may arise as a consequence of the Company's interests and its relationships with multiple customers, counterparties, and suppliers. Conflicts, for example, can occur between different customers and between customers and the Company itself.

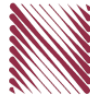
Officers and employees are responsible for:

- identifying and managing conflicts in accordance with regulatory requirements and Company policies; and
  - Escalating any conflicts or potential conflicts to their supervisor or other designated person, as appropriate.
- Managers who identify conflicts of interest in the business or to whom conflicts are raised by employees should manage those conflicts in accordance with Company policies and the normal procedures of their business unit or department, whenever possible. There may be occasions, however, when a conflict is not addressed by existing Company policies or is potentially significant with respect to not only the manager's individual business area, but also the Company as a whole. In those situations, the conflict should be referred to the senior management of the business unit or in accordance with the normal escalation procedures.

### 3.2. Personal Conflicts

- Your day-to-day responsibilities may expose you to situations that potentially raise personal conflicts of interest. A conflict of interest may arise, for example, if you or a family or household member has an economic or personal interest that differs from (or that appears to differ from) the Company, its customers, or its shareholders.
- While it is not possible to describe every situation in which a potential conflict of interest may arise, the following are examples of situations that may raise a conflict of interest:
  - a) Accepting special favours as a result of your position with the Company from any person or organization with which the Company has a current or potential business relationship.

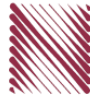




- b) Competing with the Company for the purchase or sale of property, services, or other interests.
  - c) Acquiring an interest in a transaction involving the Company, a client, counterparty, or supplier (not including routine investments in publicly traded companies or mutual funds).
  - d) Receiving a personal loan or guarantee of an obligation as a result of your position with the Company, or granting personal loans or giving gifts to other directors, officers, or employees that could make or might be perceived as making the recipient beholden to you (over and above repayment of the loan).
  - e) Working for a competitor, customer, or supplier or otherwise competing with the Company while a director, officer or employee of the Company.
  - f) Directing business to a supplier owned or managed by, or that employs, a relative or friend.
- Members of the Board of Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Internal Auditors, who shall determine the appropriate resolution. All directors must refuse themselves from any Board discussion or decision affecting their personal, business, or professional interests.

### 3.3. Gifts and Entertainment

- CMA Executive Bylaw Article (6-1) Book # 8 stated that “Without prejudice to the rights of a Licensed Person to collect commissions, charges and fees required for providing services as mentioned in the agreement entered with the Client, the Licensed Person, while practicing an activity involving Securities, Shall not pay any fees or commissions, provide monetary or non-monetary benefits or gifts, whether directly or indirectly, to his clients. Furthermore, it shall not receive any of the mentioned except in the following cases:
  - a) Fees, commissions or non-monetary benefits that are not intended to encourage the Licensed Person to provide better service for its clients, such as symbolic gifts.



- b) Any charges or monetary amounts incurred by the Licensed Person for providing services to its client such as, costs of safekeeping , commissions of settlement and clearing and fees that do not contradict in its nature with the duties of the Licensed Person to act honestly, fairly and professionally in a way that fulfils the interests of its clients.

The prohibition set out herein shall apply to employees of the Licensed Person.”

#### **4. Confidential Information**

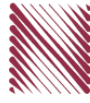
- 4.1. The employee shall take the ordinary and necessary precautions to ensure the confidentiality of the information, documents, or memos circulated during work, either through various electronic means of communication, or any other method. The employee shall keep any of the mentioned documents in the assigned places in the Company according to the adopted procedures, and be cautious not to allow those unconcerned with the documents to peruse them.

#### **5. Prevent the misuse of inside information**

- 5.1. As described by the CMA, inside information is an information and data not announced to the public which if announced would influence the price or trading of a security
- 5.2. The misuse of inside information may result in disciplinary action by the Company, up to and including termination of your employment or service, and civil and criminal penalties.

#### **6. Compliance with the laws**

- 6.1. In their work, NIC employees must strictly obey all applicable provisions of the law and the generally accepted principles of business policies.
- 6.2. Respect the laws of the State of Kuwait and abide to its authorities' regulations/instructions, taking into consideration country's traditions/public rules.



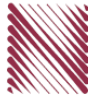
شركة الاستثمارات الوطنية  
NATIONAL INVESTMENTS COMPANY

## • SAFEGUARDING COMPANY ASSETS

Employees must ensure reasonable care in protecting NIC's assets as they are vital to the operations, regardless of whether the asset is tangible or intangible. The use of NIC's assets for illegal or non-ethical business purposes is strictly prohibited.

Assets include but are not limited to:

- Intellectual Property
- Employee Data
- Computers
- Programs & Codes
- Customer Lists / Customer Sensitive Data
- Confidential & Proprietary information



## 7. Chinese Wall principles

### 1. Introduction

The main purpose of implementing “Chinese Wall” is to set principles to prevent deliberation of information between NIC different business activities.

### 2. Definition

- Chinese Wall Definition

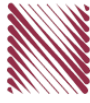
Chinese wall is a business term describing an information barrier within an organization that was set to prevent exchanges or communication that could lead to conflicts of interest. For example, a Chinese wall may be set to separate and isolate people who make investments from those who are privy to confidential information that could improperly influence the investment decisions. Firms are generally required by law to safeguard insider information and ensure that improper trading does not occur.

- Insider Information

Information and data that are private/ not public regarding any activity/ plan/ operation or condition of the company which if announced would provide a financial advantage.

- Material Information

Any information concerning a Listed Company, Listed Fund, Issuer or Obligor, as the case may be, relating to its activity, a person, its financial position or its management which is not available to the public and which relates to its assets, liabilities, financial position or general course of business, which may lead to a change in the price or volume of trading in a relevant Listed Security, or affect the willingness or unwillingness to acquire or divest an interest in such a Security, or may affect the Issuer’s ability to meet its obligations.



- Conflict of Interest

A conflict of interest (COI) is a situation in which a person or organization is involved in multiple interests, financial or otherwise, and serving one interest could involve working against another. Typically, this relates to situations in which the personal interest of an individual or organization might adversely affect a duty owed to make decisions for the benefit of a third party.

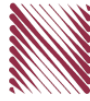
### **3. Information Barriers & Conflict Clearance**

- Information barriers and conflict clearance procedures help to ensure proper management of certain types of conflicts.
- The company has therefore established procedures known as 'Chinese Walls', to ensure the following: -
  - 1) The integrity of various business areas, and
  - 2) Potential conflicts of interest are properly managed and clients' interests are preserved at all times.
- It is essential that all employees are aware of the existence of information barriers and the requirement to maintain Chinese Walls.
- Failure to maintain Chinese Walls might breach CMA regulations and affect NIC's reputation and business.

In particular, the following Chinese walls exist within the company: -

#### **I. Private Side**

On the private side of a Chinese Wall, it is assumed that most of staff have access to inside information. Abovementioned staff will therefore be deemed 'insiders' as anyone within the Chinese Wall may have access to files, attend meetings, or overhear conversations that include references to the inside



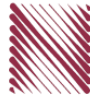
information. As a result, each employee working in a department lying within the above category is obliged to deal with accessed information as confidential and is not allowed by any means to disclose it to any person until such information has been formally defined as “Public”. Inside information should only be communicated within the private side of the company on a strict ‘need to know’ basis, i.e. information regarding transactions may be shared among members of a specific deal team, including to a public sider that has been brought ‘above the Wall’ (see section 5 page 33). Inside information regarding transactions must not be shared generally with other employees in the same department who are not members of that specific deal team, unless a legitimate business ‘need to know’ reason exists.

NIC has an insider list of employees who are well trained and acquainted with their duties and responsibilities as insiders according to CMA regulations.

## II. Public Side

The company’s Chinese Walls allow the public side of the company (e.g. Trading and Research) to continue to trade and make recommendations even when the private side possess inside information. In addition, Chinese Walls do not preclude the flow of public information from the inside areas of the company, but extreme caution must be exercised to prevent an ‘accidental’ Wall crossing. If there is any concern this may have occurred, the Compliance Department must be contacted immediately.

In some circumstances, public side confidential information may be deemed to be inside information. For this reason, the work of the Research Department, in particular impending research publications, must remain confidential at all times. It is a breach of this Policy for employees of any NIC outside of the Research Department to be informed of any impending research, unless this forms part of their management duties or they have been specifically brought ‘above the Wall’ (see section 5 page 33 below).



NIC has its tools to maintain efficiency of Chinese wall by implementing the following: -

- NIC code of ethics.
- Segregation of duties principle.
- Delegation of authorities.
- Four eyes principles.
- Internal control methods.

The IT and OLT sector consistently maintain data as per its “Data Classification Policy” (#14 on Page 76 to 79 in IT Policy and Procedures Manual) to facilitate efficient business activities and ensure adequate information security is maintained supporting the Chinese wall principle.

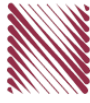
#### **4. Wall Crossing**

4.1. In some circumstances, it may be necessary to involve an employee from the public side of the company to facilitate on a private side transaction. This is known as ‘Wall crossing’ or being brought ‘above the Wall’.

The Wall Crossing procedure comprises several steps coordinated through the sector head and Compliance Department. Communication must not take place prior to obtaining CEO approval. In some cases, the request to provide inside information to a public sider is received from a third party directly to the individual to be Wall crossed. In this situation, the potential Wall Crosser, i.e. the public sider, should liaise with the Compliance Department before agreeing to receive any information.

##### **4.1. Request Wall crossing**

Prior to Wall Crossing, the Compliance Department must be contacted either by telephone or via e-mail by the private side individual requesting to provide an individual from a different Chinese Wall area with inside information. (If the private side individual is not sector head, the private sider must obtain approval from their sector head prior to contacting the Compliance Department.



Note: Where the request to provide inside information to a public sider is received from a third party directly to the individual to be Wall Crossed, the potential Wall Crosser, i.e. the public sider, should liaise with the Compliance Department before agreeing to receive any information.

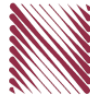
## **5. Above the Wall**

5.1 As a result of their seniority and management function, certain employees are treated as ‘Above the Wall’. These individuals are assumed to have access to inside information from departments separated by Chinese Walls. Above the Wall individuals may have management, compliance or risk responsibilities and are not solely client facing. They are permitted to communicate above the Wall on a ‘need to know’ basis in order to adequately perform their duties. Two or more Above the Wall staff may communicate inside information to one another without adhering to the Wall Crossing procedures. To avoid contamination, such conversations generally must be held away from other staff. The status of Above the Wall staff is documented and monitored. Above the Wall staff is subject to restrictions on their personal investment transactions that accurately reflect their enhanced access to inside information.

## **6. General Conditions**

- The sector heads must ensure that the key principles for the dissemination of confidential information are communicated to all employees. These key principles include the ‘need to know’ principle and respect for any confidentiality agreement signed with a client.
- All NIC employees must understand that they should treat confidential information with due care and that they have a duty to safeguard confidential information, whether obtained from those with whom the company does business or from within the company. All such information must only be used for its intended purpose and must not be used for any personal employee benefit or the company’s general benefit.





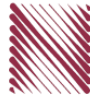
- Confidential information must only be used for the specific purpose or transaction for which it was given and must be circulated on a strict ‘need to know’ basis. When giving information, the recipient(s) should be clearly informed about the nature of the information.

*“Need to know means that communication of confidential information shall not take place unless strictly required for the proper discharge of the employee’s function, and not contrary to the terms of any confidentiality agreement, unless disclosure is required by law. The ‘need to know’ principle applies to both sides of the Chinese Wall and every employee whether an insider or not.”*

- Operations & IT systems must also be constrained to reflect these key principles. Additionally, to help preserve confidential information, measures such as a clear desk policy and safe storage systems must be observed. Further measures include a requirement for all consultants and contractors to sign a confidentiality agreement.

*“Kindly refer to NIC’s clear desk policy for further information”*

- The IT and OLT Sector as per its “Information Systems Control Policy” (#4 on Pages 16 to 20) and “Application Control Policy” (#4.2 on Page 21) of its IT Policy and Procedures Manual manages systems to ensure the Chinese Wall principles are maintained consistently within the organization.
- Records must be kept in relation to any personal transactions involving misuse or improper disclosure of confidential information which are notified to NIC or identified by it, including any authorization or prohibition in connection with such a transaction.



## ***G. Vendor Selection***

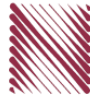
### ***1. Purpose***

- NIC incorporated/prepared this policy to comply with law No.7 of 2010 regarding the establishment of the Capital Markets Authority (CMA) and regulating securities activities and its amendments and executive bylaw, particularly with point #2 of article 10-5 of Module # 15 “Corporate Governance” of the said executive bylaw, stating that “ The company shall develop policies and regulations including a clear mechanism of awarding agreements and transactions of various types through transactions or various purchase orders, provided that such mechanism shall be fully disclosed”.
- This policy outlines the procedures to be followed by concerned and authorized personnel of the Company engaged in dealing with different types of vendors by developing a selection methodology to ensure fair selection for NIC best interest.

### ***2. Process***

- A. The concerned department should gather at least three quotations of three different vendors.
- B. All vendors will be selected on a continuing competitive basis justified by comparison of their scope of work, experience & reputation, qualifications & certifications, deliverables, quality of clients, flexibility, and professional fees& payment terms. (refer to appendix 1)
- C. It is the responsibility of the concerned department to select one of the shortlisted vendors by filling out vendor evaluation matrix (appendix 1).

Vendors will be added and deleted from the list in an ongoing process through the ongoing assessment process that provides them an opportunity to work for NIC in a non-exclusive basis.



### ***3. Disclosure***

- A. All vendors are to disclose If any of their partners, owners, shareholders, principles or employees are related to NIC or its employees.
- B. Failure to disclose this information may result in suspension or disqualification of the vendor.
- C. NIC employees in any department requesting or managing work are to disclose any relationship to vendors as stated above.

### ***4. Approval***

- The approval process starts from the department's head by making a recommendation based on the vendor selection matrix. (Appendix 1)
- A detailed memo with recommendation to be sent from the concerned dept to the CEO for his approval. (appendix 2)
- In case of contracts/agreements that are above the CEO threshold limit, approval process is escalated to the level of Chairman or BOD depending on the contract value based on the limits set in NIC delegation of authority Matrix.
- In case any vendor is defined as related party as per the related parties' conditions set by the CMA, hence, BOD approval is a must regardless the amount of the agreement/contract.

### ***5. General Conditions***

- Contracts/agreements with any vendor should clearly include clauses that protect both parties' rights in case of breaching the obligations.