WARBA INSURANCE& REINSURANCE COMPANY

Corporate Governance Manual

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General Overview:

The term "governance" is the concise translation of the term "corporate governance". The scientific translation that was agreed on is "means of executing the rational administrative powers" through the presence of systems for governing relations between the basic parties that affect performance. It also includes the factors for strengthening the institution on the long run and determining responsibility and the party responsible.

The concept of corporate governance lies in finding and organizing the valid application and execution of those managing the company to maintain the rights of share and securities holders, as well as those working at the company, stakeholders, and others by investigating the execution of contractual relation forms that connect them and using the valid financial and economic instruments based on the required transparency and disclosure standards.

The rational governance regulations and conditions aim at achieving transparency and justice, granting the right to hold the company management accountable, and thus achieve the protection of shareholders and holders of deeds alike, maintain the work and employees ' welfare and limit the exploitation of authority for other than the public welfare. These regulations also confirm the importance of committing to the provisions of the law and the directions issued by supervising bodies, working on guaranteeing the revision of the financial performance, the presence of administrative structures that allow holding the administration accountable before shareholders, while forming a revision committee from the non-executive members of the Board who will have several functions, powers and authorities to achieve the independent supervision over the executive management.

Therefore, good corporate governance can be portrayed in disclosing financial information, which allows for the decrease in capital costs of the institution and helps attract investments, whether foreign or local, limit the escape of capital, and the combat of corruption which affects every individual and hampers growth in all forms and on all levels. Without financial flow, the full growth potential of the institution cannot be achieved.

One of the main benefits of applying corporate governance is the increase in available funding and ability to obtain cheaper sources of funding. This increases the importance of corporate governance in particular for promising economies, such as the State of Kuwait.

Eventually, governance leads to increasing trust in the national economy, to deepening the role of the capital market, increasing the ability for savings growth, increasing the investment levels, maintaining the minority rights or the rights of small investors.

On the other hand, governance encourages the growth of the private sector, supports its competitiveness, helps projects obtain funding and generate profits, and finally creates new employment.

Governance Determinants:

Applying good corporate government practices relies on the availability and quality level of a group of determinants as well as external and internal factors that affect it.

External Determinants:

These determinants refer to the main investment environment in the country. They include for example:

1) Laws and directions organizing the economic activity (laws of capital markets, companies, investment, organizing competition, banning monopoly activities and bankruptcy)
2) Efficiency of the financial sector (banks and capital markets) in providing the necessary funding for funding projects
3) Competitiveness level of merchandise, service and production elements markets
4) Efficiency of supervising devices and bodies (Capital Markets Authority and Stock Market) in executing supervision over companies

The importance of external determinants lies in that their presence guarantees the execution of the regulations that guarantee the good management of the company, which decreases the contradiction between the social revenue and the private revenue.

Internal Determinants:

These determinants refer to the regulations and basis that set forth the means of taking decisions and distributing authorities within the company between the general assembly, the Board of Directors, and Executive Department. The presence and execution of these determinants lead to decreasing the contradiction between the interests of all parties.

The Kuwaiti economy has witnessed a number of developments that emphasized the need to develop, strengthen and set standards for good corporate governance as well as the government sector through laws and instructions issued in Companies Law No. (1/2016) and its executive regulations and amendments, and Law No. (7/2010) regarding the establishment of The Capital Markets Authority and the Regulation of Securities Activity and its Executive Regulations issued by Resolution No. (72/2015) in the fifteenth book about corporate governance, and their amendments.

General:

Warba Insurance& Reinsurance Company, its Board, executive management, and all employees are committed to rational and effective corporate governance and to supervising the professional and ethical conduct on the highest levels.

Warba Insurance& Reinsurance Company is also committed to applying, executing and enhancing the corporate governance principles and values in all its activities, as well as to maintain the highest levels of integrity and transparency in all its activities.

Means:

1) Setting form a corporate strategy, its goals and execution plans
2) Determining the ability of the company to bear risks of all kinds and decrease the same
3) Manage the daily company works in accordance with the highest international standards
4) Protecting the interests of clients
5) Meeting commitments and rights of shareholders
6) Consideration the rights of stakeholders

Goals:

1) Committing to the ethics and rational professional behavior regulations
2) Setting forth comprehensive systems for supervision and accountability for detecting deviations and violations
3) Following the correct scientific method for managing the company in accordance with the latest administrative means
4) Providing a pure environment of trust and security for investors
5) Enhancing the effectiveness of the social role of the company
6) Enhancing justice, integrity and transparency
7) Eliminating the concept of conflict of interests

Corporate Governance at Warba Insurance& Reinsurance Company:

The Capital Markets Authority in the State of Kuwait issued in 2013 its decision No. (25) which included the directions and principles of corporate governance in affiliate companies. These directions were amended in accordance with the directions of the executive deeds of the Authority issued in its decision No. (72) of 2015 in its fifteenth letter concerning corporate governance. The said directions include the latest international standards followed in governance.

Whereas corporate governance in Warba Insurance& Reinsurance Company includes the following main axes in accordance with the directions of the Capital Markets Authority:

- **1st Rule:** construct a balanced Board composition
- **2nd Rule:** Establish appropriate roles and responsibilities
- **3rd Rule:** Recruit Highly Qualified Candidates for the Board of Directors and Executive Management
- **4th Rule:** Safeguard the Integrity of Financial Reporting
- **5th Rule:** Apply Sound Systems of Risk Management and Internal Audit
- **6th Rule:** Promote Code of Conduct and Ethical Standards
- **7th Rule:** Ensure Timely and High Quality Disclosure& Transparency
- **8th Rule:** Respect the Rights of Shareholders
- **9th Rule:** Recognize the roles of Stakeholders
- **10th Rule:** Encourage and Enhance Performance
- **11th Rule:** Focus on the Importance of Corporate Responsibility

Warba Insurance& Reinsurance Company is committed to providing the Capital Markets Authority periodically in accordance with its directions with the reports indicating the execution of the requirements indicated in the corporate governance issued thereby.

The functions and Responsibilities of the Board include, for example without limitation, the following:

1) Adopting the goals, strategies, plans, and main policies of the company including the following:
   a) Comprehensive strategy for the company and main work plans and their revision and direction.
   b) Ideal capital structure of the company and financial goals.
   c) Clear policy for distributing profits of different kinds (cash and in kind) to achieve the benefits of the shareholders and the company.
   d) Goals of performance and supervision of execution and comprehensive performance at the company.
2) Adopting the estimated annual budgets and the interim and annual financial statements.
3) Supervising the main capital expenses of the company and owning assets and acting with them.
4) Confirming the extent of commitment of the company to the policies and measures that guarantee that the company respects the enforced regulations and bylaws.
5) Guaranteeing the accuracy and integrity of information and data that should be disclosed in accordance with the policies and enforced disclosure and transparency regulations.
6) Establishing effective communication channels that allow the company shareholders to constantly and periodically peruse the different activity aspects of the company and any fundamental developments.
7) Setting forth a governance system at the company without prejudice to the provisions of these regulations and supervising the same in general and monitoring the effectiveness thereof while amending the same when so necessary.

8) Following up the performance of every member of the Board and the executive management in accordance with the key performance indicators (KPIs).
9) Preparing annual reports to be read during the annual general assembly of the company that includes the requirements and measures for completing the corporate governance regulations and the commitment thereto; this report should be added to the annual report prepared for the company activities while indicating the regulations that were abided by and those that were not abided by along with the reasons therefore.
10) Forming specialized committees there from in accordance with the charter that explains the terms, authorities, responsibilities and means of supervision of the Board over the committee; the decision for forming the committee shall also include naming the members, determining their functions, rights and obligations in addition to evaluating the performance and work of these committees and main members therein.
11) Confirming that the policies and deeds adopted by the company are transparent and clear, allowing the taking of decisions and achieving the rational governance principles as well as separating between the powers and authorities between the Board and executive management. In this regard, the Board should do the following:
    a) Adopting the deeds and bylaws pertaining to the work and development of the company and the determination of the functions, powers, tasks and responsibilities between the different organizational levels.
    b) Adopting the delegation policy and executing the works delegated to the executive management.
12) Determining the authorities delegated to the executive management and the measures for taking decisions and the delegation term; the Board will also set forth the matters for which it has the authority to settle; the executive

management will present periodical report on its execution of the delegated authorities.

13) Supervising and controlling the performance of members of the executive management and confirming their executing all the functions delegated thereto, where the Board is required to do the following:
    a) Confirming that the executive management is working in accordance with the policies and deeds adopted by the Board.
    b) Holding periodical meetings with the executive management for perusing the work developments and the obstacles, problems and presenting and discussing the important information related to the company activities.
    c) Setting forth the performance standards for the executive management in accordance with the goals and strategies of the company.
14) Determining the bonus categories that will be presented to employees, such as the fixed bonuses, the bonuses related to performance and risks on the long run, and the bonuses in the form of shares.
15) Appointing or dismissing any of the members of the executive management and then the head of the executive cadre or the like.
16) Setting forth a policy for organizing the relationship with stakeholders for maintaining their rights.
17) Setting forth a mechanism for organizing the transactions with related members to limit the contradiction of interests.
18) Confirming periodically the effectiveness and sufficiency of the internal supervision system enforced in the company and affiliate companies including:
    a) Confirming the integrity of financial and accounting systems, including systems to preparing financial reports.
    b) Confirming the application of adequate supervising systems to measure and manage the risks by determining the risk scope that may face the company and establishing an environment that is aware of the culture of limiting risks on the company level and presenting the same transparently with stakeholders and parties concerned with the company.

Application methodology:

1st Rule: construct a balanced Board composition

The Board of Directors of the Company has a structure that coincides with the size and nature of the company activity, while taking into account the diversity in scientific and professional expertise and specialization skills with the knowledge of members of the Board of the related laws, instructions and deeds as well as the full awareness of the company activities and risks that its financial status is subject to.

The Board includes independent members (20% of the board of directors) who will be able to evaluate the performance of the company objectively and independently from the executive management and shareholders to guarantee the objectivity and accountability in decision making as well as limiting the contradiction of interests, which may arise from the taking of strategic decisions and daily operational administration.

The above is completed as follows:

1) Majority of members of the Board are non-executive and independent members.
2) The Board is formed of members who have full independence, which allows them to take the decisions without being subject to pressure or obstacles.
3) The Board organizes its work and allocates sufficient time to execute the functions and responsibilities thereof.
4) The meetings of the Board of the Company and its agenda are organized in accordance with the instructions of the Capital Markets Authority and the memorandum and articles of association of the company.
5) The minutes of the meetings of the Board shall be registered, coordinated and archived by the secretary of the Board appointed from the employees of the company.

2nd Rule: Establish appropriate roles and responsibilities

The Board at the company represents the balance point, which is working on achieving the shareholders' goals and following up the executive management with regard to the functions and responsibilities of the Board and executive management as explained in the organizational structure of the company. The Board is seeking to achieve the strategic goals of the company through confirming that the executive management is executing the functions delegated thereto fully. It is working on enhancing the competitive capacity of the company to achieve high growth rates, increase profits and confirm that all the decisions and measures taken by the executive management are always in the benefit of shareholders.

This is accomplished through the following:

1) Determining the functions, responsibilities, and obligations of each member of the Board and executive management in detail as well as authorities and powers delegated to the executive management.
2) The Board forms specialized committees that have independence to help it perform the tasks delegated thereto (Audit committee, Risk committee, nominations and Rumination committee – Governance committee) and any other committees that it shall deem necessary for the operation of the company.
3) Separation of competencies between the board of directors and the executive management, in a manner that guarantees complete independence.
4) Presence of a mechanism that allows the members of the Board to obtain information and data accurately and on time.
5) Periodic development of the infrastructure of information technology systems, especially reporting systems.

3rd Rule: Recruit Highly Qualified Candidates for the Board of Directors and Executive Management

One of the main rules of financial security of the company to avoid risks that it may be subject to is choosing the professional experiences and technical capacities in addition to the good personal and ethical capacities in the persons nominated to the membership of the Board or executive Management. The same is completed in the institutional scope that is efficient and fully transparent to confirm that the said operation is basically in the interest of the company and thus achieves the goals of shareholders.

This is accomplished through the following:

1) Formation of a committee emanating from the Board of Directors for nominations and remunerations, to prepare recommendations related to nominations for positions of members of the Board of Directors and executive management, and it meets at least once a year.
2) Establishing a clear policy for granting remunerations to members of the Board of Directors and Executive Management.
3) Setting forth standards in accordance with the competence and integrity regulations issued by the capital markets authority to choose the members of the Board and executive management.
4) Job description for the members of the board of directors (executives - non-executives - independent), and to ensure that the conditions for independence from the independent members of the board of directors are not violated.
5) Preparing and disclosing the report of bonuses granted to the members of the Board and executive management.

4th Rule: Safeguard the Integrity of Financial Reporting

The validity of financial statements of the company is considered one of the main indices of the integrity and credibility of the company in its presentation of the financial status and thus increases the trust of investors in the data and information provided by the company. It also allows shareholders to execute their rights.

This is accomplished through the following:

1) Presenting written commitments by the Board of Directors and the Executive management of the validity and integrity of the financial reports prepared by the company.
2) Forming an audit committee emanating from the Board of Directors, whose primary role is to ensure the integrity and integrity of financial reports, and to make recommendations to the Board of Directors, and it meets at least four times per year.
3) The Audit Committee shall technically supervise the internal audit department in the company, and review and follow up on the proposed audit plans.
4) Ensuring the independence, integrity and impartiality of the external auditor, and that he has competence, professional experience and good reputation, and recommending their appointment or reappointment..

5th Rule: Apply Sound Systems of Risk Management and Internal Control

The Board should have the ability to understand and analyze the nature and volume of risks facing the activities of the company to limit them as much as possible, in addition to determine the adequate measures for dealing with them and developing them constantly in light of the strategies and policies in this regard and in particular the company's subjectivity to risk.

The valid risk management should have effective internal supervision systems for the valid supervision over financial statements, efficiency of works of the company, and evaluation of the extent of commitment to the supervising regulations.

This is accomplished through the following:

1) Availability of an independent department for managing risk that works on determining, measuring, and following up the risks to which the company is subject to while having full independence.
2) Forming a risk management committee emanating from the Board of Directors, whose primary role is to set policies and regulations for risk management in line with the company's tendency to take risks, and it meets at least four times a year.
3) Forming a committee that is specialized in governance application from the Board whose main role is setting forth a governance scope and manual and supervising its execution and amendment when so required.
4) Confirming the sufficiency of internal control and supervision systems.
5) Availability of the internal auditing unit with full technical independence.

6th Rule: Promote Code of Conduct and Ethical Standards

Enhancing the culture of professional behavior and ethical values in the company enhances the trust of the investor in the integrity of the company and its financial soundness. The commitment of the employees at the company, whether members of the Board, the Executive management or other employees to the policies and bylaws of the company as well as the legal and supervision requirements will lead to achieving the interests of all parties related to the company, and in particular shareholders without conflict in interests and with a large degree of transparency and integrity.

This is accomplished through the following:

1) Setting forth the work charter that includes the standards and requirements of professional behavior and ethical values.
2) Setting forth policies and mechanisms concerning limiting the cases of conflict of interest and the means of treating and dealing with the same.

7th Rule: Ensure Timely and High Quality Disclosure& Transparency

The accurate and continuous disclosure is considered one of the main characteristics of the means followed by the company and the evaluation of its performance. It contributes in enhancing the levels of understanding of shareholders, investors, and the public of the company structures and activities as well as policies applied by the company and the evaluation of the performance of the company concerning ethical standards.

The accurate and continuous disclosure is considered one of the assisting elements in attracting capitals as it has an effect on the behavior of shareholders. It increases the levels of trust and security of investors with regard to the financial safety of the company in particular and the financial sector in general.

This is accomplished through the following:

1) Setting forth policies and deeds for the accurate and transparent disclosure.
2) The disclosed information and data are accurate, transparent and periodical.
3) Organizing the disclosure operation pertaining to all members of the Board and the executive management as well as potential investors.
4) Disclosing accurately and separately all of the bonuses granted to the members of the Board and executive management, whether amounts, benefits or advantages.
5) Developing the infrastructure for information technology and highly relying on the same in disclosure operations.

8th Rule: Respect the Rights of Shareholders

The goals of shareholders are most often represented in increasing the values of their investments and contributions and achieving good revenue from these investments, as well as confirming that the department executing the business of the company is not exploiting their funds and is working on increasing profits while the company administration is seeking to enhance the competitiveness and achieve high growth rates.

So the conflict between the goals of the shareholders and executive management of the company does not lead to wasting the rights of shareholders, the execution of rational governance will guarantee the concordance between the goals of shareholders and the goals of the company administration. This enhances the trust of shareholders in the efficiency of the system protecting their rights.

This is accomplished through the following:

1) Determining the general rights of shareholders to guarantee justice and equality between all shareholders regardless their levels.
2) Abiding by the accuracy and continuous follow up of information relating to shareholders.
3) Encouraging shareholders to participate and vote in meetings relating to company assemblies.
4) Committing to the voting mechanism in the public meetings of shareholders.

9th Rule: Recognize the roles of Stakeholders

Protecting and respecting the rights of stakeholders should be completed in accordance with the related laws enforced in the State of Kuwait such as (labor code, companies law and its executive deeds) in addition to the contracts concluded between the parties and any additional commitments by the company towards stakeholders. Protecting the rights of stakeholders by virtue of the law provides them with the opportunity to obtain effective compensation in case of violation of any of their rights.

The contributions of stakeholders form an important source for constructing the competitiveness of the company and supporting the levels of its profitability.

This is accomplished through the following:

1) Setting forth systems and policies that guarantee the protection of stakeholders.
2) Working on encouraging stakeholders for participating in following up the different company activities.

10th Rule: Encourage and Enhance Performance

Continued training and qualification of the members of the Board and the Executive management has become one of the main pillars for rational governance regulations. It has contributed largely in enhancing the performance of the company by the Board and the Executive management performing the functions and responsibilities thereof fully.

This provides understanding and knowledge in all matters related to the company activities. It allows them to become aware of the latest developments in the related administrative, financial and economic fields in addition to the ability to strategically plan in accordance with the requirements of the company and thus achieve the goals of the company.

This is accomplished through the following:

1) Setting forth mechanisms that allow each member of the Board and Executive management to obtain training programs and sessions continuously.
2) Setting forth the mechanisms and systems to evaluate the performance of the Board as a whole and the performance of every member of the Board and Executive management.
3) Confirming continuously the importance of creating institutional values of employees at the company through always working on achieving the strategic goals of the company and improving the performance rates and commitment to laws, directions and in particular the governance regulations.
4) Develop integrated reporting systems, which are one of the effective tools in achieving the company's strategic goals and thus creating institutional values.

11th Rule: Focus on the Importance of Corporate Responsibility:

The concept of social responsibility is represented in the constant commitment by the company to act ethically and contribute in achieving sustainable development of the society in general and in the employees at the company in particular by working on enhancing the living, social and economic circumstances of manpower and their families in addition to the society as a whole and contributing to the levels of unemployment in society and the ideal exploitation of the available resources.

This is accomplished through the following:

1) Setting forth policies that guarantee the achievement of a balance between the goals of the company and goals of the society.
2) Setting forth the program and mechanisms that help in displaying the efforts exerted by the company in the field of social work.