



**The Industrial Bank of Kuwait**

**CODE OF CONDUCT AND ETHICS**

**Version / 1  
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## Table of Content

|    |                             |   |
|----|-----------------------------|---|
| 1. | <b>Statement of Purpose</b> | 4 |
| 2. | <b>General Objectives</b>   | 4 |
| 3. | <b>Specific Goals</b>       | 4 |
| 4. | <b>Policy Elements</b>      | 5 |
| 5. | <b>Policy Statements</b>    | 5 |

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| <b>Organizational Area</b>  | <b>: Office of the Board Chairperson</b> |
| <b>Policy for</b>   | <b>: Code of Conduct and Ethics</b>      |
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**Policies and Procedures Manual  
April 2013**

## 1. Statement of Purpose

The Industrial Bank of Kuwait (the “Bank”) expects its Board members and employees (together “members”) to perform their work to the best of their ability and to conduct themselves in a manner, which would reflect and enhance the Bank's image and reputation. This Code of Conduct and Ethics (the “Code”) affirms this policy of the Bank and is a guideline to:

- Promote honest and ethical conduct that reflects positively on the Bank;
- Maintain a corporate climate in which the integrity and dignity of each individual is valued;
- Assure compliance with laws, rules and regulations that govern the Bank’s business activities; and
- Assure the proper use of the Bank’s assets.

## 2. General Objectives

The Code sets out standards on how every member should behave with all the Bank’s stakeholders and general public. The Board of Directors of Industrial Bank of Kuwait has adopted this policy to guide members on an acceptable code of conduct and ethics and to cover risks that may arise on the Bank’s reputation and public image that may arise from unethical behavior and conduct. The ultimate objective of this Code is ensuring that the Bank is perceived as an organization committed to high standards of integrity in all its dealings. This Code does not address every situation that may be encountered, and is not a substitute for a director’s exercise of good judgment and common sense.

Failure to follow the Code may result in breaches of law, regulation, internal standards and reputational damage and may also result in disciplinary action that may lead to dismissal.

This Code aims to strengthen professional behavior of all Bank’s members in line with organizational values, promote cooperation and coordination between various Bank departments, the banking industry and the regulators in addition to setting up rules to support and mutually benefit the members’ interests , clients and prevent situations of conflict of interest and damage to the Bank’s reputation.

## 3. Specific Goals

The specific goals of this policy are:

- To provide members with standards of expected ethical behavior.
- To guide members in avoiding situations of conflict of interest and explain what they should do when faced with such situations.
- To ensure members compliance with applicable laws, regulations, policies, procedures and standards.
- To emphasize the importance of maintaining confidentiality of information and privacy.
- To provide guidelines on giving and receiving gifts.
- To guide conduct in various situations that may arise while working in the banking environment.

## 4. Policy Elements

### Authority:

- The authority to implement this policy lies with the Chief Executive Officer.
- All cases of breach of this code or suspicion of the same shall be raised with the departmental manager or the Head of Human Resources.
- Investigation of all breaches to the code shall be investigated by Internal Audit or any independent party appointed by the Bank for that purpose.
- All disciplinary actions relating to the breach shall be under the purview of the Human Resources department.

### Risk Management:

- **Reputational risk:** Violations of this code may lead to a damage in the Bank's reputation and image and thus lead to reputational risk. There are additional capital requirements relating to this risk under ICAAP guidelines.
- **Compliance risk:** Violations in regulations may lead to penalties imposed by the regulatory authorities.
- **Legal Risk:** Customers or affected third parties may bring legal action against the Bank that may have both a monetary impact and a reputational impact.

### Definitions:

- **Code of conduct and ethics:** Principles designed to help members conduct business honestly and with integrity and the ethical principles based on the organization's core values and the standards to which the employee will be held. A code of ethics lays out the rules of behavior and provides a preemptive warning.
- **Conflict of interest:** It is a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties. It is a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest or public interest.
- **Immediate family:** Spouse, children and other direct dependents of the member.

## 5. Policy Statements

### General conduct and ethical behavior:

- Members must demonstrate integrity, honesty, trustworthiness and loyalty to the organization. In both their public and private relations, employees should affirm these qualities, and distance themselves from suspicious circumstances and financial impropriety.
- Members are expected to treat fellow members with professionalism, respect, consideration, and understanding, which fosters a climate conducive to a high level of performance and open communication at all levels.

- Members should treat customers, potential customers, vendors and the public with equal respect and professionalism.

**Compliance with laws, regulations, policies, procedures and standards:**

- It is the responsibility of the members to adhere to all applicable laws, regulations of Kuwait, regulations and directives of the Central Bank of Kuwait and the policies, procedures and standards of The Industrial Bank of Kuwait.
- Members must act ethically and honestly at all times and comply with the spirit as well as the letter of all relevant legal and regulatory requirements.
- Any transaction undertaken in the name of the Bank that would violate the laws, rules or regulations of any country or its political subdivisions in which this Bank conducts business is prohibited.
- Any form of bribery or attempt of bribery to gain business or financial advantages to a government official or any other persons by members is strictly prohibited.
- Members must not engage in fraud or any form of infringement of the rights of others and neither should they involve themselves or the Bank with contractors/clients intending to commit fraudulent or illegal activities.
- All members must be honest in all their dealings and communications with clients, auditors, superiors, and contractors.
- Members must not intentionally or recklessly mislead existing or prospective clients about the results that can be achieved through the use of the Bank's services. Furthermore, members may not suggest means that would violate the law in order to attain the requirements of the client.

If any uncertainty arises as to whether a course of action is within the letter and spirit of the law, advice should be obtained from the Bank's Chief Executive Officer or his designee.

**Conflict of Interest:**

- The Board of Directors shall take all reasonable measures to identify, and prevent or manage, conflicts of interest that could harm the interests of the Bank.
- In cases where the controlling shareholders have the influence to appoint Board members, the members of the Board should exercise their duties towards the Bank apart from the entity that appointed them. Members of the Board of Directors shall act at all times in the best interests of the Bank rather than particular interests or constituencies. This means setting aside personal self-interest and performing their duties in transaction of the affairs of the Bank in such a manner that promotes public confidence and trust in the integrity, objectivity and impartiality of the Board. No director shall directly or indirectly receive any profit from his/her position as such, provided that directors are reasonably compensated for the performance of their duties.
- A Board member must immediately disclose to the Chairperson of the Audit Committee and/or the Board Chairperson any matter that may result, or has resulted in a conflict of interest. Any activity exercised by any Board member that may result in conflict of interest must be approved by the Board of Directors.
- The Bank expects its members to avoid any personal activities and financial or non-financial interests which may conflict with their commitment to effectively perform their jobs. Any employee who is actively engaged in business interests outside the scope of his employment at the

Bank shall be required to disclose the details of such business activities in writing. An employee should obtain the approval of Human Resources Department before rendering services to another employer.

- Members must not exploit their jobs and position for private gain, to advance personal interests, or to obtain favors or benefits for themselves, members of their immediate family members, or any other individuals, corporations or business entities.

#### **Related Parties Transactions:**

- The Bank is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a heightened risk of actual or apparent conflicts of interest.
- The Board of Directors shall verify the adequacy of internal control systems in connection with related parties' transactions.
- Two or more parties are related parties when:
  - One party has direct or indirect control of the other party; or
  - The parties are subject to common control from the same source; or
  - One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
  - They are close family.
- Related Party Transaction is defined as the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a price is charged, or whatever that price is.
- Related Party Transactions are governed by the Bank's Related Party Transaction Policy which states the rules and procedures that govern such transactions. Any transaction with or credit extension to the Bank's related parties, including Board members and their related parties, are made in accordance with the same terms and conditions as applied to other customers without any preferential terms and in conformity with the instructions issued by the Central Bank of Kuwait. Related Party Transactions must be disclosed in accordance with IFRS and in line with the requirements of the Central Bank and other regulatory authorities.
- A Board member should refrain from participating in Board meetings that will involve discussing or voting on items related to private business of the concerned Board member, or any issue that involve a conflict of interest or that may compromise his/her objectivity in voting.

#### **Confidentiality of Information and Privacy:**

- Members may become aware of non-public information. A member may never use Confidential Information for his or her own personal benefit or to benefit persons or entities outside the Bank. Members shall not disclose Confidential Information, related to the Bank or its clients or other Banks, outside the Bank either during or after their service as employees or as a Board members, except with the express or implied consent of the Board or as required by law.
- "Confidential Information" means all non-public information entrusted to or obtained by a member by reason of his or her position as an employee or as a Board member. It includes, but is not limited to, non-public information that might be useful to competitors or harmful to the Bank or its customers if disclosed, such as:

- Non-public information about the Bank’s financial condition, prospects or plans, its marketing and services programs and research and development information, as well as information relating to mergers and acquisitions and divestitures;
  - Non-public information concerning possible transactions with other companies/banks or information about the Bank’s customers, suppliers or joint venture partners that the Bank is under an obligation to maintain as confidential; and
  - Non-public information about discussions and deliberations relating to business issues and decisions between and among members.
- Respect for confidentiality is the cornerstone of trust and confidence as well as a legislated obligation. Board members must at all times respect the confidentiality of any client names and/or circumstances that might identify clients. Similarly, all matters dealt with by the Board during meetings and matters related to personnel, financial dealings, investments and business plans must be held in strictest confidence. Confidentiality means Directors may not relate such matters to anyone including immediate family members. The duty of confidentiality continues indefinitely after a Director has left the Board.
  - All employees, must not disclose, copy or use, during and after their employment with the Bank, except in the proper course of employment duties with the Bank, as permitted by the Bank, as required by law, or where the disclosure is protected under corporate governance legislation, any:
    - trade secret, intellectual property or any information concerning: the business, financial arrangements or position of the Bank; client lists or prospective client lists; advices to clients or other documents provided to clients; methods of operation, source codes or computer systems; proposals or plans for marketing, promotion or other business activities; any of the dealings, transactions or affairs of the business of the Bank or its clients; or any of the terms of contracts, arrangements or transactions between the Bank and its clients and customers;
    - technical information pertaining to the Bank’s business that is not in the public domain including, but not limited to, financial models, presentations, research activities and ideas;
    - personal information including identity of employees, directors, consultants employed or engaged by the Bank; and
    - any information which the Bank designates as being confidential or that might reasonably be expected by the Bank to regard as confidential, to any person or for any purpose.
  - All members must take reasonable and necessary steps to maintain the confidentiality and prevent the disclosure of Confidential Information, immediately notify the Bank of any suspected or actual unauthorised use, copying or disclosure of Confidential Information, and provide any assistance required by the Bank in relation to any steps the Bank may take to protect Confidential Information.
  - In all cases of approved third parties having access to customers and Bank information, all third party contracts relating to IT services, audit services, legal services, business consultants or any other approved third party; a “Confidentiality Clause” relating to customers and Bank information shall be made a part of the engagement contract.
  - Violation of customer confidentiality will immediately subject the person concerned to the Bank’s disciplinary action process.

### **Integrity of Accounting and Financial Information:**

- Never issue any financial information that is false, misleading and incomplete or would lead to mistrust by the public, customers, or shareholders. All accounting records shall be compiled accurately.

### **Combating financial crime:**

- Money laundering refers to introducing money from criminal sources into the legal business cycle. The Bank is committed to preventing and combating money laundering. Every member of the Bank must conduct only those transactions in which Bank partners have been clearly identified. In uncertain cases advice must be taken from the AML Unit to investigate the business background. In order to prevent involvement in transactions possibly related to money laundering, all members of the Bank must critically analyze the transactions underlying Bank commitment and document any suspicious elements.
- The Bank's members are prohibited from engaging in money laundering and/or illegal transaction structuring.
- Members must cooperate with governments, regulators and other financial services providers to safeguard customer accounts from fraud and to help combat organized financial crime.
- Any member who knowingly and willfully launders money, or attempts or assists someone in laundering money will be subject to disciplinary action.

### **Dealing with Customers:**

- Conduct business with fairness towards customers, keeping their interests in mind. Mis-selling and misrepresentation to customers is prohibited.
- Financial relations shall not be established between staff accounts and customers' accounts. Employees shall not consent to act as an agent or an official power of attorney holder for or on behalf of any customer for managing their accounts. Bank's staff shall not provide collateral or stand guarantee for any facility extended by the Bank to any customer.
- The Bank gives due attention to complaints raised by clients and customers, and looks into the matter accurately and professionally and provides a response at the earliest. All complaints are routed through the Bank's Customer Complaints unit and handled in line with the mechanisms adopted by the Bank.

### **Insider Trading:**

- Insider trading is an abuse of confidential information, is unethical, and is prohibited.
- Such material "inside information" might include earnings estimates, stock and dividend activity, changes of control or management, pending mergers, sales, acquisitions, reserves numbers or other significant business information or developments.
- Providing such inside information to others who then trade on it is also strictly prohibited.

### **Making Commitments:**

- Members shall not make commitments on behalf of the Bank without appropriate authorization. Approved commitments within the scope of individual authority, if any, should be properly documented and retained.

### **Making Public Statements on behalf of the Bank:**

- Only authorized spokespersons shall communicate on behalf of the bank and its policies, practices and procedures in any media.
- Any publication or publicly made statement by a member in his / her private capacity shall include a disclaimer that it represents the views of the specific author only and not of the Bank.

### **Sound Personal Finances:**

- Members must avoid any circumstances that may lead to over extension of credit or salary attachments or drawing checks against insufficient funds or other financially embarrassing situations.

### **Giving and Receiving Gifts:**

- Members should refrain from accepting any gifts, either monetary or otherwise, from clients or contractors. Small gifts of minor monetary value (not more than KD 100/-) such as corporate gifts, calendars etc. bearing the inscription of the giver may be accepted. Exceptions to this rule require approval from the Chief Executive Officer or the Board Chairperson, as applicable, and must be disclosed.
- The offer of invitations, gifts, payments, services, hospitality or other benefits which could be seen to affect the concerned member's ability to exercise independent judgment should in all cases be notified to the HR Manager or the Chief Executive Officer, as applicable. As a general rule, meals, refreshments, entertainment, accommodation or travel of reasonable value, should only be accepted on the basis that the expense would be deemed to be an appropriate business expense if it were to be charged to the Bank.
- Members must not solicit or accept gratuities, directly or indirectly, from clients, or other parties dealing with the Bank in connection with work that the employee is responsible for. Gifts, sponsorships or invitations may not be accepted, where such could be deemed to influence or compromise the member's position or any business decision by the Bank.

### **General conduct and work discipline:**

- All members are expected to maintain the highest standards of discipline, integrity and interpersonal behavior at Bank.

### **Information Security and Data Confidentiality:**

- Users should perform daily business duties only within predefined authorized rights and privileges.
- Users must not publically disclose internal information through the internet (or any other means) that may adversely affect the Bank's customer relations, public image or compromise customer confidentiality, unless otherwise approved by an appropriate authority.

- Members should inform their supervisor officer if he/she believes that any suspicious activity, disclosure of confidential information to unauthorized party, security incident (e.g. malicious software) has taken place or there are reasonable grounds for suspicion about expected violations.
- Employees must not circumvent user authentication or security of any host, network or account.
- Introduction of destructive or hacking programs (e.g., viruses, network sniffers, key-logger etc) and unauthorized copies of licensed or freeware software (piracy/copyright and patent infringement) to the Bank information resources is unacceptable.
- Concealing or deleting or modifying system generated information or records are prohibited.
- All information, generated either through system or manual means, is considered the property of the Bank. Users are expected to act diligently while appropriately protecting the information under their custody.
- To prevent phishing forms of attacks, users are expected not to share any information with the other party until the genuineness of the other party is identified.

#### **Internet and Systems Security:**

- Misrepresenting, obscuring, suppressing, or replacing a user's identity on the internet or any other system is forbidden. The user name, email address, organizational affiliation and related information included with messages or in other communications must reflect the actual originator of the messages/communication.
- Access to certain websites that falls under the category of gambling, pornography, terrorism, money laundering, drugs, hacking, violence, and spam and other illegal material, etc is strictly prohibited.
- Activities or gadgets (e.g. wifi hotspots, dialup etc) used for internet proxy and network firewall avoidance is strictly prohibited.
- Sending spam and unsolicited emails from Banks email system is strictly prohibited and discouraged.
- Messages intended to harass, annoy or alarm another person are strictly prohibited.

#### **Confidential Reports (“whistle blowing”):**

- A whistleblower is defined as an individual who, in good faith, submits a confidential or anonymous allegation of misconduct or potential wrongdoing.
- All members of the Bank are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting and other malpractices at the earliest opportunity, and in an appropriate way.
- If any member believes reasonably and in good faith that malpractice exists in the work place, then he or she should report this immediately to their own line manager. However, if for any reason they are reluctant to do so, then they should report their concerns to either the:
  - HR Manager; or
  - Board Chairperson.

### **Sexual Harassment:**

- The Bank believes in providing its employees an environment free from all forms of discrimination and conducts which can be considered harassing, coercive, or disruptive, including sexual harassment. Anyone engaging in harassing conduct will be subject to discipline, ranging from a warning to termination.
- Any unwanted physical, verbal or visual sexual advances, requests for sexual favours, and other sexually oriented conduct which is offensive or objectionable to the recipient, including, but not limited to: epithets, derogatory or suggestive comments, slurs or gestures and offensive posters, cartoons, pictures, or drawings would be considered as an act of Sexual Harassment.
- Unwelcome sexual advances (either verbal or physical), requests for favors and other verbal or physical conduct of a sexual nature constitute sexual harassment when:
  - submission to such conduct is either an explicit or implicit term or condition of employment (e.g., promotion, training, timekeeping or overtime assignments).
  - submission to or rejection of the conduct is used as a basis for making employment decisions (hiring, promotion, termination).
  - the conduct has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment
- Sexual harassment does not refer to occasional compliments of a socially acceptable nature. It refers to behavior that is not welcome, that is personally offensive, that debilitates morale, and that, therefore, interferes with work effectiveness.

Any employee who feels that he/she has been the recipient of sexually harassing behavior, he/she must report (either written or oral) it immediately to the HR Head/ Department Head/ Supervisor. The complaint would be investigated and appropriate action will be taken by the management of the Bank.

**Your Personal Commitment to  
The Industrial Bank of Kuwait  
Code of Conduct and Ethics**

I acknowledge that I received a copy of **the Code** of Conduct and Ethics dated \_\_\_\_\_ (“**the Code**”), that I have read **the Code** and that I understand it. I undertake to comply with **the Code**. If I learn that there has been a violation of **the Code**, I will contact my supervisor or Chief Executive Officer or the head of Human Resources. I acknowledge that **the Code** is not a contract, and that nothing in **the Code** is intended to change the traditional relationship of employment-at-will.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name