


HUMAN CAPITAL POLICY
HUMAN CAPITAL DEPARTMENT

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Policy History

Establishment Date	Approved Date	Version	Remark / Areas of Major Changes
1 December 2015	1 January 2016	00	Consolidation of all Human Capital Policies into one policy.

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1.0 INTRODUCTION

The Bank provides an employment policy to all its employees as per general practices of the industry. This is to ensure that the Bank remains competitive in attracting, retaining and engaging its employees to implement the Bank's business strategy.

2.0 OBJECTIVES

- 1.1 To establish guidelines that are intended to provide strategic direction and context for the policy statements of human resource management practices across Kuwait Finance House (Malaysia) Berhad ("KFHMB").
- 1.2 This policy is applicable to all employees of KFHMB and its subsidiaries.
- 1.3 The Bank reserves the right to add, vary, amend or delete any of the defined guidelines without assigning any reasons whatsoever.

3.0 ABBREVIATIONS AND ACRONYMS DEFINITION

KFHMB	: Kuwait Finance House (Malaysia) Berhad
BNRC	: Board Nominating & Remuneration Committee
MANCO	: Management Committee
CEO	: Chief Executive Officer
HCD	: Human Capital Department
COD	: Chief of Division
KPIs	: Key Performance Indicators
PIP	: Performance Improvement Program
LOD	: Learning & Organizational Development
ILDLP	: Individual Learning and Development Plan
GP	: General Practitioner
VSD	: Ventricular Septal Defect
ASD	: Atrial Septal Defect
BAC	: Board Audit Committee
CIA	: Chief Internal Audit
CFO	: Chief Financial Officer
CRO	: Chief Risk Officer
COE	: Code of Ethics Policy
IAD	: Internal Audit Division
IO	: Investigation Officer (from Internal Audit)
WBPA	: Whistle Blower Protection Act 2010

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4.0 SCOPE OF APPLICATION

This policy covers all employees of KFHMB and its subsidiaries. For the avoidance of doubt, KFHMB's subsidiaries shall include a corporation where KFHMB is the parent company of that other corporation, or where KFHMB is a subsidiary of that other corporation, or where KFHMB is the subsidiary of the parent company of that other corporation, or where that other corporation is an associate company of KFHMB.

5.0 COMPLIANCE AND CROSS REFERENCE

- a. Code of Ethics and Conduct (QMS/HRAIP01136/05/CDOE)
- b. Criteria for Employment/Contract Extension for Retired Employees Policy (QMS/HR/POL/142/CERE)
- c. Rehiring Policy (QMS/HR/POL/149/09/RH)
- d. Application for Expatriate/Foreign Employee Employment and Dependent Pass (inbound) Procedure (QMS/HR/PRO/185/09/WPDP)
- e. Employment Act 1955
- f. Minimum Retirement Age Act (MRA) 2012
- g. Industrial Relations Act 1967
- h. Banking & Financial Institutions Act 1989
- i. Islamic Financial Services Act 2012
- j. Any other applicable Acts.
- k. Human Capital Division Procedures
- l. Fraud Management Policy (QMS/CSO/POL/72/05/AFP).
- m. Code of Ethics Policy (QMS/HRA/POL/36/05/CDOE).
- n. Discipline Policy (QMS/HRA/POL/19/05/DISP).
- o. Domestic Inquiry Procedure (QMS/HRA/PRO/43/05/DI)
- p. Whistle Blower Protection Act 2010.
- q. Witness Protection Act 2009.

6.0 EFFECTIVE DATE OF IMPLEMENTATION

1 January 2016

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7.0 RECRUITMENT

7.1 Recruitment Policy

To establish a fair recruitment and placement practices for KFHMB (herein known as Bank).

The Bank shall fill vacancies with the best possible candidates who are qualified, experienced and suited to meet organization expectations and prevent discrimination in relation to gender, religion and race when recruiting employees.

7.2 Type of Recruitment

7.2.1 New Recruit Replacement

The number of new recruitment or replacement and/or new external recruit should not exceed the budgeted/approved headcount as per the approved manpower budget by Management.

7.2.2 Employment of Expatriates

Employment of expatriate personnel will be considered only in exceptional circumstances where special skills are required and no qualified or suitable Malaysians are available.

Expatriate employees may only be employed under the following situations:-

- a. Where the banking institution has foreign equity;
- b. There is a specific requirement for specialists or experts;
- c. Under an international exchange program; and
- d. To provide training to employees of overseas branches and subsidiaries.

It is subject to Bank Negara Malaysia's approval and that of any other relevant authorities.

7.2.3 Employment of Contract / Temporary / Part-Time / Employees

The Bank may appoint contract, temporary or part-time employees to meet its business needs on such terms and conditions as may be approved by the Bank.

7.2.4 Employment of Former Employees

- a. Former employees will be eligible for re-hire only (1) once in a lifetime upon leaving the Bank.

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- b. Former employees identified to be re-hired by the Bank must have at least:
- i) Left the bank for 3 years;
 - ii) Achieved a Performance Rating of 3 or above (4 or 5) in the last year of serving the Bank;
 - iii) A confirmed employee prior to leaving the Bank.
- c. The recruitment process will be as per the process for any new hire and it is subject to CEO's approval.

7.2.5 Employment of Relatives or Spouse

- a. The Bank may employ relatives of its employees as long as it does not create a potential conflict of interest or appears to be of a conflict of interest. A relative is defined as husband, wife, parent, child, brother, sister, close cousin and in-law. Any exception shall be subject to the CEO's approval.
- b. Employment is subject to fulfillment of the following conditions:-
- i) No relatives shall be employed under the same Department, otherwise one will have to be transferred outside the Department.
 - ii) The relatives shall not be a direct or indirect supervisor.
 - iii) No relatives may be assigned to a position where he or she may have the opportunity to assign, check, process, review, approve, audit or otherwise affect the work of a relative; and
 - iv) No relative may be assigned to a position where he or she may influence the salary progress, promotion or terms and conditions of employment of his / her relative.

7.3 Hiring Processing Policy

7.3.1 Requisition

a. **Key Responsible Positions (KRPs)**

Requisition is not required for KRPs as the appointment must obtain recommendation from Nominating and Remuneration Committee for Board's approval.

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b. **Non-KRPs/ Other Positions**

The requisition for employees holding other positions (permanent, contract or temporary) must be made on the Employee Requisition Form (ERF). The hiring will only be executed once it is approved by the CEO.

7.3.2 Sourcing

- a. The Human Capital Division and the hiring Division to determine the most effective sourcing channels.
- b. Appointment of Executive Search Firm / Employment Agency for recruitment purposes must obtain prior approval from the CEO.

7.3.3 Selection

a. **Key Responsible Positions (KRPs)**

Candidates will be screened and shortlisted by CEO based on specific criteria and skills to be recommended by Nominating and Remuneration Committee for Board's approval.

b. **Non-KRPs/ Other Positions**

A minimum of 3 candidates to be screened of which at least 2 candidates to be shortlisted for interviews before a hiring decision can be made.

7.3.4 Interview Approving Authorities

The Bank shall only hire suitable candidates after they have been carefully screened and interviewed by the respective interviewing panel and approving authorities.

- a. Human Capital and the hiring Division to determine appropriate test/ instruments to be performed by the candidate.
- b. Fit & Proper Criteria for Key Responsible Positions must comply with IFSA 2013 Section - 69, Corporate Governance.
- c. The salary and terms and conditions of employment offered to the new employees shall be determined according to the Bank's grading structure, salary range and Human Capital policies.
- d. For Key Responsible Positions, the terms and conditions of employment including remuneration package must obtain the

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Nominating & Remuneration Committee's recommendation and Board of Director's approval.

- e. Any exception to the standard terms and conditions of employment shall be recommended by Nominating & Remuneration Committee and approved by Board of Directors.

7.3.5 Pre-Employment Medical Examination

The pre-employment medical examination must be conducted by a doctor appointed by the Bank. Any offer of employment is subject to the applicant being certified medically fit for service to the Bank's satisfaction.

7.3.6 Employment Screening

Human Capital Division is to ensure that an employment screening is conducted on all applicants offered by the Bank and such offer of employment shall be subject to the Bank obtaining security clearance. This shall include credit and bankruptcy searches.

7.3.7 Letter of Employment

All offers of employment will be considered valid when made in writing and signed-off by the Head, Human Capital or an authorised representative.

8.0 PROBATIONARY PERIOD & CONFIRMATION OF PROBATION

8.1 Policy

All new employees are required to serve a probation period and shall be evaluated on his / her performance before the end of the probation period and/or extension of probation period. The employee shall be informed in writing of his/ her status of confirmation before the expiry of the probation period.

- a. Probationary period as below:-
- | | |
|---------------|------------|
| Executive | : 6 months |
| Non-Executive | : 3 months |
- b. The Bank reserves the right to extend the probation period if the employee's performance is poor and such extension shall be made in writing.
- c. The extension period may be up to a maximum of six (6) months. However, the total probationary period and extension of probation shall not exceed twelve (12) months for executives and above or nine (9) months for non-executives.

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- d. If at any time during the probation period, an employee takes a long leave [maternity, long MCs etc], upon returning from such leave, the employee is required to complete the remaining probation period left at the point of him/her taking the said leave to be eligible for confirmation.
- e. The Bank reserves the right to terminate an employee due to unsatisfactory performance, misconduct during or after the extension of probation period, after due inquiry.

9.0 CONTRACT DURATION & RENEWAL

- 9.1 Contracts for employment shall not be less than 3 months and not exceed three (3) years at any one time.
- 9.2 Further extension for contracts of employment shall be subject to CEO's approval and for Key Responsible Positions, the renewal/extension of contract of employment shall be subject to Nominating & Remuneration Committee's recommendation for Board's approval.

10.0 EMPLOYEES TRAINING FUND

The Bank shall comply with the Employees Training Fund guidelines as defined in *BNM/RH/GD 028-1*.

11.0 BOND FOR NEW EMPLOYEES

- 11.1 The Bank shall bond all permanent new hires for all approved recruitment and related costs as stipulated in the Letter of Employment.
- 11.2 The bond period is 24 months or as per the Bank's requirement.

12.0 RE-EMPLOYMENT ON CONTRACT OF AN EMPLOYEE AFTER RETIREMENT AGE

- 12.1 Re-employment on contract of an employee after retirement shall be at the discretion of the CEO. For Key Responsible Positions, the re-employment shall be subject to Nominating & Remuneration Committee's recommendation for Board's approval.
- 12.2 The employee must achieve at least a good performance rating (rating 3) for the financial year in order to qualify for an employment of contract upon the retirement.

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13.0 WORKING DAYS AND HOURS

13.1 Normal Hours of Work

All employees must observe the normal working days and hours as follows:-

- a. **Working Hours**
Mondays – Fridays : 8:30 am – 5:30 pm
- b. **Lunch Hour**
Mondays – Thursdays: 1.00 pm – 2.00 pm
Fridays : 12.30 pm – 2.30pm

The Bank reserves the right to amend the starting and finishing time as required to suit operational requirements. Employees may be required to work such additional hours as may be necessary for the proper performance of their duties. There will be no additional payment for hours worked in excess of their normal hours of work except for non-executive employees.

Due to business and operational requirements, some employees of the Bank may be required to work on shifts or have staggered work hours.

13.2 Off Day, Rest Day and Public Holidays

13.2.1 Off-Day

Every employee shall be allowed one (1) Off Day in each week (other than for those employees who perform shift work). Unless altered by prior notice, it shall be either on Friday or Saturday as applicable in the State in which they work.

13.2.2 Rest Day

Every employee shall be allowed one (1) Rest Day in each week other than for those employees who perform shift work). Unless altered by prior notice, it shall be either on Sunday or Saturday of the week as applicable in the State in which they work.

13.2.3 Public Holidays

Every employee shall be entitled to be paid on all gazetted Federal and State Public Holidays applicable to the State or Federal Territory in which the employee is stationed as recognised by Bank Negara Malaysia.

14.0 RETIREMENT

The mandatory retirement age for all employees shall be on the date when they attain the age of sixty (60).

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15.0 NOTICE OF TERMINATION OF SERVICE

15.1 All permanent employees are required to give written termination notice or payment in lieu of short notice based on the following notice period.

	Job Grade	Notice Period
Probationers	Executive and above	1 month
	Non-Executive	2 weeks
Confirmed Employees	Executive and above	3 months
	Non-Executive	1 month

15.2 Contract employees shall observe the resignation notice as per the terms and conditions stated in their contract of employment.

16.0 EMPLOYEES TRANSFER / RELOCATION

The Bank reserves the right to transfer the employee from one job to another or from one locality to another (within Malaysia or abroad), from the holding bank to its subsidiaries or associate companies, from one subsidiary / associate Bank to another, from one branch to another and from one division/department to another. The right to transfer includes the right to transfer to any future subsidiaries or branches that the Bank may set up.

16.1 Relocation Provisions

The employee is eligible to the relocation provisions if the transfer or relocation of duty between interstate is at least 100 km radius from the original location of duty.

17.0 EXPATRIATE & TEMPORARY DUTY ASSIGNMENT

The policy is applicable to all permanent employees of the Bank who are temporarily assigned to other countries for business purposes for a period of more than three (3) months. The assignment categories are as follows:

Duration	Classification
0 – 3 months	Business Trip
More than 3 months but less than 12 months	Temporary Duty Assignment
12 months and more	Expatriate Assignment

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18.0 DRESS CODE

The Bank expects every employee when reporting for duty to present a clean, neat and tasteful appearance at all times.

18.1 Code of Attire

The following shall apply:-

a. Mondays to Fridays / Normal Working Days

Male Employees	Female Employees
All male employees must tuck-in their shirts. Short sleeves shirts are permissible on Fridays only.	All female employees are required to dress decently and appropriately befitting the standard of a respectable Islamic Bank.
Executives must wear ties during working hours.	Jeans, short-skirts, low-necked blouses / T-Shirts, track suits and knickerbockers are some examples of dress items considered inappropriate. If necessary, proper coats, sweaters or cardigans may be worn.
Jeans, track suits or wind cheaters are not allowed. If necessary, proper coats, sweaters or pullovers may be worn	Sandals, slippers, slip-ons should not be worn except for medical reasons.
Sandals, slippers, slip-ons should not be worn except for medical reasons.	All female employees are required to wear head-covers.

b. Saturdays

- i) All employees are encouraged to adhere to the above dress code. However, employees may dress smart casual clothing.
- ii) Male employees may wear batik T-Shirts with collars. T-shirts with any form of advertising other than the logo or design of the brand itself shall not be permitted.

c. Employees provided with Uniforms

Employees who are provided with uniforms must wear uniforms at all times while on duty. Failure to wear such uniforms shall be construed

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as an act of misconduct and the employee shall be liable for disciplinary action by the Bank.

19.0 INTERNSHIP

The Bank shall from time to time provide an internship program to local and overseas students and the intake shall obtain the CEO's approval.

20.0 COMPENSATION

20.1 Dealer's Allowance

Dealer's allowance shall be provided to all Licensed Dealers identified by the Chief Treasurer in the Treasury Division of the Bank and its subsidiaries based on the requirement of the job role for trading. The allowance is given based on the job position as per the Bank's requirements.

20.2 Vehicle allowance

Vehicle allowance shall be provided to all employees with a job grade of Senior Managers and above in lieu of the allocation of a company car and for the purpose of paying the monthly instalments. The entitlement is as per the Bank's requirements.

20.3 Petrol & Maintenance Allowance

Petrol and Maintenance Allowance shall be provided to all employees with a job grade of Assistant Director and above. This allowance is provided to cover running expenses incurred for the petrol, repair, maintenance, insurance and road tax. Employees who are entitled to the Petrol and Maintenance Allowance are not eligible for any mileage claim except for outstation travel, as defined in item 22.1 (d).

20.4 Handphone Allowance

The Bank shall provide a monthly Handphone Allowance to staff with a job grade of Assistant Directors and above. This allowance shall also be provided to Business employees and critical support employees identified by the respective Chief of Division, subject to the CEO's approval, and as per the Bank's requirements.

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20.5 Shift Allowance

Employees who are required to work on shifts in order to ensure continuity of operations, shall be entitled for the shift allowance based on the cycle of the shift.

20.6 Airport Allowance

The Bank shall provide a monthly Airport Allowance for employees whose work place is located at airports. This is provided due to the inconvenience of these locations and to subsidise the meals which are more expensive at the airports.

20.7 Childcare Allowance For Non Executives (Female Only)

The Bank shall provide a monthly childcare allowance to its female non-executive employees with children aged seven (7) years and below to reduce their financial burden in paying the childcare centers.

20.8 Laundry Allowance for Non Executives

Laundry allowance shall be provided for the position that requires employees to wear uniforms.

21.0 WORK-HOURS RELATED COMPENSATION

The Bank shall compensate additional work hours' related allowances to employees with a job grade of Manager and below for additional work hours performed.

Type of work hours related compensation	Eligibility and entitlements
1. Meal Allowance	<ul style="list-style-type: none"> Employees who work beyond working hours for more than 2 hours on normal days.
2. Call Back Allowance	<ul style="list-style-type: none"> Employees may be required to return to the work place to attend to work matters not during normal working hours. The call back is necessary under these circumstances to attend to event-triggered activities to ensure operations are not disrupted, scheduled system maintenance work or to complete work where deliverables are time sensitive where employees are required to be called back.
3. Additional Shift Allowance	<ul style="list-style-type: none"> Employees who are required to cover duties for a shift scheduled for another employee due to absences to ensure no disruption of operations.

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21.1 Overtime And Meal Allowance for Non-Executives

- a. Overtime shall be paid to non-executive employees whenever required by the Bank to work at least one full hour in excess of their normal hours of work. This is subject to the regulatory requirements. Normal working hours, Off-days and Rest days are as defined in the item 13.1.
- b. The Bank shall pay a Meal Allowance for non-executive employees who work overtime for more than two (2) hours after the normal hours of work.
- c. All overtime work must obtain the prior approval of the employee's supervisor before working the extra hours.

22.0 TRAVEL AND BUSINESS CLAIMS

It is the responsibility of the Chief of Division to ensure that all employees' travel meets this objective and the reimbursement to be made is only for actual, reasonable business expenses in connection with authorized travel.

Authorization for Travel: All overseas travelling and Domestic travel by air – CEO; All other travel: Chiefs of Division.

22.1 Mode of Transportation

a. By Air

Employee Category	Entitlement
Chief Executive Officer / Chiefs of Divisions	Business class for all travel or as per contract of employment.
Other employees	Economy class Business class is only allowed for business purposes, if travelling is more than 6 hours (not for seminar/training/conference and other purposes)

Note: No more than five (5) Bank employees or two (2) members of Senior Management will be allowed to fly on the same flight

- b. **By Train:** First class for All Employees
- c. **By Bus and Cruise:** Executive coach and class for All Employees

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d. By Own Car or Taxi

- i) Outstation (Outside 75 km radius of their Base) - reimbursement with a mileage allowance, to be capped at the transportation cost to be incurred by the Bank or the actual expenses, whichever is lower.
- ii) Within 75km radius of their Base – reimbursement of mileage claim, parking and toll charges by own car or actual taxi fare.
- iii) The reimbursement is not applicable to Senior Management employees who are entitled to a Petrol and Maintenance Allowance **except** travel outside a 75km radius from his base in the course of duty.
- iv) For Employees who drive to Kuala Lumpur International Airport, they are allowed to claim mileage, parking and toll charges based on actual reimbursement as defined in the Procedures.

e. Car Rental Services

- i) Only allowed with approval from the CEO only. Sedan / Saloon cars shall be used unless due to the limited seating capacity, Multi-purpose vehicles (MPV) or 12-seater vans may be considered.
- ii) Fines for traffic offences are not claimable from the Bank.

22.2 Accommodation

- a. All employees are entitled to a standard room as approved by the Bank for business travel purpose.
- b. If an employee opts for private lodging, she/ he may claim, without the production of any receipt or bill as approved by the Bank.
- c. Other Claimable Travel Expenses :
 - i) Telephone/ Fax Charges - Full reimbursement of all business related phone calls and faxes.
 - ii) Laundry - The Bank will reimburse reasonable laundry expenses incurred for trips exceeding three (3) consecutive days only. Dry-cleaning of suits is not claimable.
 - iii) Visa and Taxes - The Bank will reimburse for expenses incurred in securing special permits or visa, any airport or immigration related tax or levy
 - iv) Winter Clothing - If the travelling is performed during winter in the destination country.

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- v) Travel Insurance and Medical Coverage - The Bank may arrange for travelling coverage for employee if it is deemed necessary. For medical needs, the Bank will cover as per the medical policy.

d. **Per Diem Travel Allowance**

- i) Employees shall be eligible for travel allowance covering meals and all travel related expenses (except for the other Claimable Travel Expenses)
- ii) The allowance varies for domestic and overseas travel as set out in the Bank's Business travel procedures.

e. **Entertainment**

Employees are allowed to reimburse on expenses where the specific assignment requires them to entertain Bank's customers or potential customers, or other parties as appropriate. He/ She may claim a reasonable amount of expenses related to business entertainment as per Shariah compliance. Other types of business entertainment are not permitted unless prior approval is obtained from the CEO.

23.0 BENEFITS IN KIND FOR SENIOR MANAGEMENT

23.1 Company Car

The Bank shall provide the company car for the following employees:

- a. Chief Executive Officer (CEO)
- b. Managing Director (MD)
- c. Deputy CEO

23.2 Car Parking Policy

Employees who hold a job grade of Assistant Director and above are entitled to parking facility.

23.3 Personal Driver

The Bank shall provide a personal driver for the CEO.

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24.0 REMUNERATION

24.1 Roles and Responsibilities

Roles and Responsibilities of the various parties on employees' Remuneration Policy and operations and activities are stated in the matrix below.

Parties	Responsibilities
Human Capital Department (HCD)	<ul style="list-style-type: none"> • Directly responsible for the administration, compliance and shall initiate any upgrading, addition, deletion and changes to relevant authority guidelines or any other guidelines & policies and/or its supporting policies, processes and procedures. • Coordinate and streamline the different interacting HR procedures, to ensure a smooth and seamless implementation of all related remuneration activities. • Provide supporting market data and information on industry best practice • Make remuneration recommendations for management's endorsement for the Board's approval.
Chiefs of Divisions / Heads of Departments	<ul style="list-style-type: none"> • Communicate remuneration policy and procedures to employees with the assistance from HCD. • Resolve issues relating to employee remuneration. • Accountable for annual review of the performance of every employee reporting to them for salary adjustment, bonus payment and any other remuneration. • Recommend for promotion and upgrading of employees under his / her accountability which will eventually lead to a promotion and salary adjustment.
Management Committee (MANCO)	<ul style="list-style-type: none"> • Except for the remuneration of CEO, KRPs and the Control Function employees, MANCO is to: • Review the compensation strategy, plans and proposals, submitted by Human Capital Department, and advise the CEO for endorsement and subsequent submission to NRC. • Ensure that the remuneration takes into account the soundness of the Bank's financial position, and perceived risk levels of business activities and the ability to attract and retain employees.

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Parties	Responsibilities
Board Nominating and Remuneration Committee (BNRC)	<ul style="list-style-type: none"> • Review the remuneration framework and policy to ensure that these are applicable to the Bank and are reflective of the Bank's performance both in the short and long terms, consistent with the Bank's culture, objectives and strategy. • Annual review on the competitiveness of the remuneration structure. • Recommend a framework of remuneration for CEO and KRPs in line with the accountability, responsibility and performance of the individuals. The framework should cover all aspects of remuneration.
Board Audit Committee (BAC) / Board Risk Management Committee (BRMC) / Shariah Committee	<ul style="list-style-type: none"> • Recommend remuneration by their respective committees in line with the accountability, responsibilities and performance of these individuals. • CRO by Board Risk Management Committee. • Chief Regional Shariah Officer by Shariah Committee. • Chief Internal Auditor by Board Audit Committee
BOARD	<ul style="list-style-type: none"> • Approve all remuneration framework, policies and structures. • Approve remuneration of CEO and KRPs.

24.2 Principles And Guidelines

- a. The Bank's remuneration is structured in accordance with applicable laws and regulations and consists of various components:
- i) Fixed remuneration– compensate for the respective level of expertise, skills and responsibility required for fulfilling a specific job. It is the Bank's desire to pay all employee's wages and salaries that are competitive with other employers in the Financial Services sector in a way that is fair and equitable. The base salary is typically pegged at the market's 50th percentile. When deciding on a salary increment, the Bank maintains internal equity amongst the employees.
 - ii) Benefits – all employees are eligible to receive various employee benefits according to their job grade such as insurance coverage, medical and hospitalization benefits.
 - iii) Risk Requirements – all employees have a component of risk management in his / her KPIs that will affect his / her variable remuneration.

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- iv) Variable Remuneration – The Bank maintains an appropriately balanced fixed and variable remuneration ratio. The Bank may consider deferment of variable pay intended to retain high performing, competent employees for a longer period with the Bank. In such cases, a performance assessment beyond the variable remuneration award shall be conducted.
- v) Payment related to contract termination or employment termination.
- b. The remuneration is based on the achievement of a number of performance objectives, based on the Bank's strategy and its annual priorities: financial, risk-related and non-financial drivers for sustainability of the organization.
- i) Financial Performance Indicators (non-exhaustive) may include:
- Shareholder values - Operating Profits, Profit Before Tax, Return of Equity, Return of Asset.
 - Growth - Gross Financing, Net Operating Income.
 - Liquidity – Risk –Weighted Capital Ratio.
 - Cost & Asset Management - Cost To Income Ratio, Net Non-Performing Finance and Impairment Write back.
- ii) Non-Financial Performance Indicators (non-exhaustive) may include:
- Market share.
 - Implementation of strategic business plan.
 - Ensuring risk management and mandatory compliance.
 - Employee competency and engagement.
- c. The variable individual remuneration takes individual, team and organizational performance into consideration.
- d. The Remuneration Policy and framework shall be every three (3) years or as and when necessary. Criteria to be considered, amongst others are:
- i) The ability of KFHMB to attract and retain talents.
- ii) Changes in compensation concept, technology and tools available that make remuneration practices more efficient and effective.
- iii) Feedback from stakeholders.
- e. The remuneration design and proposal submitted by HCD shall take into account the following factors:
- i) The Bank's performance, both long-term and short-term.
- ii) Prudent risk-taking at the employee, departmental and organizational levels.

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- iii) External market conditions for talent and the Bank's attrition rate and
 - iv) The Bank's ability to pay.
- f. The Bank shall maintain adequate disclosure of the remuneration of the CEO and KRPs, as per the requirements set out in the various statutory guidelines.
- g. To ensure independence and in compliance with statutory guidelines, the remuneration of the following persons shall be subject to the recommendation and review of the committees of which they report to:
- i) Chief Risk Officer by Board Risk Management Committee
 - ii) Chief Shariah Officer by Shariah Committee
 - iii) Chief Internal Auditor and Internal Auditors by Board Audit Committee

The remuneration of these employees and other employees in the control function should principally be based on the achievement of their performance objectives, as determined and assessed by the same committee to ensure independence.

- h. When compensating employees, the compensation must be sensitive to risk outcomes over a multi-year horizon. In this regards, the Bank has the authority to reclaim variable remuneration allocated to employees based on inaccurate data and / or behaviour leading to significant harm to the Bank and / or reinstatement of the Bank's annual accounts and / or deterioration of any asset of the Bank, brought in by the employee.

25.0 SALARY INCREMENT AND INCENTIVE PAYOUT

The Bank pays salary increment and incentives to employees upon approval from the Board.

25.1 Roles and responsibilities

Roles and responsibilities of the various parties on the Increment and incentive payout are as follows:

Parties	Responsibilities
Human Capital Department (HCD)	<ul style="list-style-type: none"> • Engage with Chief of Division to understand talent retention issues. • Provide supporting market data for the increment and incentive payout. • Provide information on industry best practice. • Make recommendations for Management Committee's endorsement and subsequently for Board's approval • Execute the approved increment and incentive payout.

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Chief of Division	<ul style="list-style-type: none"> Communicate increment and incentive practices to the employees with the assistance from HCD.
Management Committee (MANCO)	<ul style="list-style-type: none"> Review the proposal submitted by HCD to ensure the proposal has taken into account the Bank's performance, external market condition for talent, Bank's attrition rate and the ability to pay.
Board Nominating and Remuneration Committee (BNRC)	<ul style="list-style-type: none"> Review proposal to ensure alignment to remuneration framework and policy to ensure these are applicable to the Bank and reflective of the performance of the Bank both in the short and long term Review the proposal to be consistent with the Bank's culture, objectives and strategy and be comparatively competitive Recommend for Board's approval
BOARD	<ul style="list-style-type: none"> To approve the proposed recommendation by BNRC

25.2 Principles For Increment Payout

- Maintain competitive reward system on par with industry benchmark.
- Maintain internal equity – Different increment percentage for different salary positions in the salary range.
- Reward high performers – the quantum of reward to be in tandem with contribution/KPIs achieved as part of retention strategy.

25.3 Principles For Incentive Payout

- Incentive in the form of bonus to be based on performance and achievement of the Bank's KPIs.
- It is rewarded based on individual performance and team's or Division's performance – aligned with the Bank's financial performance.

26.0 PROMOTION/UPGRADING

26.1 Promotion Criteria & Eligibility

- Career Advancement is and shall be based on the individual's achievements, performance, calibre and attitude, potential for development, expanded job roles and responsibilities.

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- b. Other criteria to be taken into consideration are as follows:

Availability of Position:-

- i) Any proposed promotion will depend on the availability of an approved vacant position or new position, which carries a higher grade.
- ii) However, on exceptional basis (e.g due to restructuring and additional roles and responsibilities), Management may approve a promotion at its own discretion, based on Chief of Division's recommendation (please refer to section 26.2 'Approving Authority)
- iii) Eligibility of Candidate will be subject to an employee meeting the criteria as per eligibility Matrix.

26.2 Approving Authority

All recommendations for promotion/upgrading are subject to the approval of the CEO.

27.0 PERFORMANCE MANAGEMENT

27.1 Performance Management Principles

- a. Open Communication - Interactive environment for open communication, continuous coaching, development and sharing of ideas for improvement.
- b. Strategic Alignment - Alignment of individual KPIs to the Bank's strategies and recognition of individual and team contributions to achieving Bank's performance.
- c. Result Driven - focus on delivering results while balancing long term competency building and fostering Shariah-based values to sustain the growth of the Bank.
- d. Commitment, Accountability and Ownership - Encourage employees on ownership of performance and career growth and commitment to strive for success.
- e. Distribution of Individual Performance rating must be in alignment to the normal distribution to differentiate performance within the division or Bank.

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27.2 Roles & Responsibilities in Performance Management

Parties	Roles & Responsibilities
Chief Executive Officer (CEO)	<ol style="list-style-type: none"> 1. Lead the setting of strategic direction for the Bank 2. Endorse the Bank's Performance Targets 3. Seek approval from the BOD of the Bank's performance target 4. Overall management of the Bank's performance in particular the performance of the KRPs/Chief of Division's.
MANCO	<p>Accountable for the effectiveness of the Performance Management Framework & its implementation in driving performance to achieve the Bank's objectives.</p> <ol style="list-style-type: none"> 1. Approve annual Performance Management implementation plan. 2. Approve Performance Management budget. 3. Review and approve new or/and changes to the Performance Management Framework, guidelines, process and forms.
Immediate Superior / Head of Department / Chief of Division	<p>Overall Management of employees' performance in his / her area of responsibility.</p> <ol style="list-style-type: none"> 1. Develop the KPIs for the scope of work performed by Individual employees. 2. Conduct periodic review of the individual employees' performance based on his/her scope of work. 3. Identify skills gap/ areas for improvement.
Human Capital Department	<p>Overall development and implementation of the Bank's Performance Management system and activities.</p> <ol style="list-style-type: none"> 1. Develop, review and design the Performance Management framework, process, templates, and forms. 2. Identify the appropriate tools necessary for the implementation of the Performance Management activities. 3. Communicate and educate employees on the process and use of the Performance Management templates, form and tools. 4. To facilitate the conduct of the Performance Management activities based on the Performance Management policy and guidelines 5. Compile and generate Performance Management evaluation report and maintain Performance Management data. 6. Monitor and track Performance Improvement Program improvement and progress. 7. To manage employees grievances if any. (refer to Industrial Relations Policy)

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27.3 Performance Management Activities and Calendar

- a. Performance Management System activities in the Bank are categorized into two categories as follows:
- i) Performance Management System Core Activities
 - Budget Planning (to determine CEO's Scorecard)
 - Performance Planning
 - Mid-year performance review
 - Year-end performance review
 - Managing Performance Appraisal Results
 - Linking the calibrated Performance Appraisal results with Rewards
 - ii) Performance Management System Supporting activities
 - Performance Management System Communication
 - Performance Management System Training
 - Audit on Performance Management System activities

The calendar includes annual activities of Performance Management System that must be completed during the performance review period (including Performance Management System Cycle). The calendar also indicates the responsible party of each activity.

- b. The calendar focuses on the Performance Management System Cycle as follows:

Year	Month	Activity
Y-1	October- December December December-January Y+1	Budget Planning Establishing CEO KPI Cascading KPI to Chief of Division
Y	January – February 1 st July - 31 st July 16 Dec	Cascading KPI to all Employees Mid-year Review Year-end Review
Y+1	1 January – 31 January February March – April	Year-end Review Calibration exercise Reward Process

27.4 Managing Performance Appraisal Results


To ensure consistent application of performance standards across the Bank, performance appraisal results will be calibrated, if necessary through performance calibration exercise.

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27.5 Performance Improvement Program (PIP)

- a. Employees whose performance are below target or expectations are required to undergo Performance Improvement Program.
- b. The role and accountability on Performance Improvement Program are as follows:

Persons / Parties	Responsibilities
Management Committee / CEO	<ol style="list-style-type: none"> 1. Provide input and direction on cases where there are contentions. 2. Endorse recommendation for Performance Improvement Program and termination of Performance Improvement Program, made by the Chief of Division.
Chief of Division	<ol style="list-style-type: none"> 1. Ensure that the immediate supervisors are equipped and competent to manage poor performers. 2. Endorse on areas of poor performance identified and the 3-month's desired performance objectives set. 3. Ensure Supervisors make appropriate assessments and submit monthly Performance Improvement Program update to HCD.
Immediate Supervisor	<ol style="list-style-type: none"> 1. Provide coaching, counselling and support to employees to deliver better performance 2. Determine work plan and weekly work activities to address performance issues and to guide employees to achieve desired performance objectives. 3. Monitor employees' progress in accomplishing the work activities on a weekly basis. 4. Evaluate the quantitative and qualitative of achievement against the targets. 5. Report to HCD on the level of implementation of work activities and results achieved on a monthly basis. 6. Make recommendation for issuance of warning letters as and when required, 7. Make recommendation for extended Performance Improvement Program or Termination of employment.
Employees	<ol style="list-style-type: none"> 1. Acknowledge his/her poor performance and endeavour to improve performance. 2. Accomplish and complete the activities in the action plan as per timeline given 3. Seek clarification, help and assistance when required. 4. Proactively seek to discuss and update the supervisor on progress/ achievement made.
Human Capital	<ol style="list-style-type: none"> 1. Communicate the Performance Improvement Program process and review methods 2. Ensure the due process is adhered to for the program

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	<ol style="list-style-type: none"> 3. Issuance of related formal letters to employees 4. Compile reports to update to Management on all Performance Improvement Program cases. 5. Provide advice and support to supervisors, as and when required. 	

28.0 LEAVE MANAGEMENT

All leave to be taken must be informed and supported by at the earliest possible time.

28.1 Annual Leave

a. Eligibility

- i) All employees shall be entitled to annual leave, unless otherwise stated in the contract of service.
- ii) Annual leave entitlement shall be calculated on a **calendar year** basis. For the new recruits, it will be pro-rated according to the number of months the employees have completed for the first year.

28.2 Mandatory leave

- a. All executive employees are required to take mandatory leave uninterrupted for ten (10) days in a year. This is to aid the detection of fraud or theft, if any, as well as to ensure that no department is solely dependent on any one person and there is continuity of operation or business in the absence of the employee by a relief.
- b. All Executive employees are required to take ten (10) consecutive days of mandatory leave in a year except those who join after 30th June of that particular year.
- c. At least five (5) consecutive days during the mandatory leave must be working days that the office is open for business.

28.3 Medical Leave and Hospitalisation leave

All Employees are entitled to medical leave as per contract of employment.

28.4 Prolonged Illness

- a. Prolonged illness shall be defined as a condition where an employee is suffering from an illness which requires prolonged treatment on the recommendation of the Bank's doctor or appropriate Government Hospital doctor.

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- b. Prolonged illness leave will only commence after an employee has exhausted all of his Medical and Annual leave entitlements. Approval is to be granted by the CEO upon application being made by the employee with the recommendation and support from the Panel Doctor, Chief of Division and Head of HCD.
- c. An employee who is on approved prolonged illness leave shall not be entitled to any benefits, except for medical benefits for the duration of his prolonged illness leave.
- d. If an employee has any financing with the Bank, he / she will need to continue serving the financing in accordance with the financing agreement.

28.5 Maternity Leave

A confirmed female employee shall be entitled to maternity leave on full pay as defined by the Bank, which may begin one month before the expected delivery date or starting from delivery date. However, the employee shall not be entitled to any paid maternity leave if at the time of her confinement, she has five or more surviving children.

28.6 Compassionate Leave

All employees are entitled to compassionate leave under these occasions:

- a. Death of employee's immediate family member
- b. Critical illness of employee's immediate family member as defined in the procedures.
- c. Catastrophes such as flood, etc. directly affecting employee's premises
- d. Paternity, in the case of male employees only

Note: Immediate family members are employee's spouse, children, parents, siblings, grandparents and parents in law.

28.7 Public Duty Leave

- a. When an employee has to be absent from work to attend to matters related to judicial (attending as a juror or as a witness subpoenaed by Court and not as plaintiff or defendant), or for the performance of public duties (Sports and Volunteer Reserves Forces), the Bank may grant paid leave subject to production of proof and proper documentation.
- b. Prior approval from the Head of Human Capital must be obtained before the Paid Public Duty Leave is allowed. Applications must be supported by the relevant documentation.

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28.8 Marriage Leave

All confirmed employees shall be entitled to three (3) days paid marriage leave for his first marriage only as approved by the Bank.

28.9 Study Leave

The Bank shall grant paid Study Leave to its confirmed employees who pursue courses approved by the Bank. The course shall be relevant to the job role or employees career advancement, recommended by Chief of Division and approved by Head of Human Capital.

28.10 Exam Leave

A confirmed employee may be given paid leave to sit for an examination on the actual number of days of the examination for courses approved by the Bank. The course taken must be an approved course with recommendations from Chief of Division and approved by Head of Human Capital.

28.11 No Pay Leave

Under exceptional circumstances (with valid reason) when an employees has utilized all his / her annual leave, the employee may apply for no-pay leave, which must be supported by Head of Department/Chief of Division and Head of Human Capital and approved by the CEO. The criteria for no pay leave are as per defined in the procedures.

28.12 Hajj Leave

A confirmed employee is entitled to a maximum of forty (40) days of Haj leave as approved by the Bank. This leave is permitted only once during an employee's tenure of employment with the Bank.

28.13 Iddah (Bereavement) Leave

Female employees are entitled to forty (40) days of Iddah (bereavement) leave for the death of spouse (applies to Muslim female employees only) as defined by the Bank.

29.0 EMPLOYEE HEALTH CARE BENEFITS

29.1 Group Family Takaful Plan

- a. This benefit aims to provide protection to employees which covers death, total and permanent disability 24 hours worldwide.
- b. This coverage amount is subject to Free Cover Limit (FCL) and underwriting assessment by the Takaful's company.

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- c. If the coverage amount is higher than the Free Cover Limit (FCL), the insured member shall be required to undergo an underwriting assessment. The excess sum assured is not guaranteed and is subject to underwriting assessment.
- d. All claims made in relation to the scheme shall be to the benefit of the employee. In the case of death of the employee, the employee's beneficiaries will be entitled to the claims and benefits less any amount owed to the Bank.
- e. The Total and Permanent disability coverage and benefits and the exclusions of the scheme will be as per the scheme provided by the Takaful Company appointed by the Bank.


29.2 Group Personal Accident

- a. This benefit aims to provide employees with a measure of protection and a sense of security in the event of an accident.
- b. All employees are insured for twenty-four (24) hours world-wide under a Group Personal Accident Insurance Scheme which covers death, permanent disability or bodily injury as a result of any accidental causes only.
- c. All claims made in relation to the scheme shall be to the benefit of the employee. In case of death of an employee, the employee's beneficiary / beneficiaries will be entitled to the benefit of the scheme. However, the Bank may utilise any payout made to offset monies owed by the employee to the Bank.
- d. In the case of disability, the coverage and benefits and the exclusions will be as per the scheme provided by the Takaful Company appointed by the Bank.

29.3 Medical Benefits

The Bank shall provide medical benefits to all employees and their dependents as follows:

Entitlement	Medical Benefits	Description
Employees and Dependents	1. Outpatient GP Care and Specialist Care	1. Clinical benefits covered under this program are:
	2. Hospitalization and Surgical	2. a. Medical Consultation b. Medication c. Diagnostic Lab / X-ray procedure d. Vaccination as per required by the Government

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		<p>3. Specialist medical attention is only allowed when it is referred by GP at panel clinics. However, referral is not required for specialist treatment for directors and above.</p> <p>4. Medical benefits provided for employees and their dependents are confined to those of curative nature and the Bank will not grant the benefit for treatment in the exclusion list provided by the Bank's appointed Takaful Company.</p>
	3. Dental & Optical	Combined Dental & Optical Benefits are provided to employees and their dependents.
	4. Long Term Medication	<p>1. In addition to the Outpatient annual limit, the Bank provides long term medications (LTM) to registered employees and dependents at clinics / pharmacies appointed by the Bank.</p> <p>2. Long-Term Medication (LTM) are on-going medication required for long-term illnesses where patients have to stock up medicine at home for daily/ periodic intake. Examples of long term illnesses are High Blood Pressure, Diabetes, High Cholesterol, Asthma and Dermatitis.</p>
Employees and Spouse only	Maternity	The Bank provides maternity benefits to employees and spouse for up to five (5) surviving children. This benefit shall include hospitalization and delivery charges in cases of birth or miscarriage, whether alive or stillborn.
Employees only	Health Screening (Medical Examination Program)	As a preventive care, the Bank shall provide health screening to eligible employees as defined in the Bank's procedures.

30.0 EMPLOYEE FINANCING

The Bank shall provide Financing to all confirmed employees as per the approved amount by the Board. The types of employees financing are follows:

30.1 Employee Vehicle Financing

The Bank provides Employee Vehicle Financing to confirmed employees to purchase a vehicle for personal use at a preferred financing rate as approved by the Bank.

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30.2 Employee Home Financing

- a. The Bank provides Employee Home Financing to confirmed employees to purchase a property for their own stay (self-occupied purposes) at a preferred financing rate as approved by the Bank. This helps to ease employees' financial burden, improve their livelihood and serves as a retention strategy.
- b. All fees pertaining to preparation of legal documentation, registration, valuation, stamp duty, Takaful premium and other charges connected with the home financing and home acquisition will be offered as Qardh in addition to the financing (if required).

30.3 Renovation Financing

- a. Definition: Costs incurred towards improvement of the structural framework of a readily built house and / or installation of fixed features such as grills and built-in cabinets. Documentary evidence of relevant government approval is to be produced for major renovations.
- b. Employees may include renovation cost up to 20% of the purchase price or open market value, whichever is applicable subject to the maximum amount of financing entitlement.
- c. For a fully drawn down financing, employees may apply for renovation every five (5) years. The maximum financing amount allowed is 20% of the open market value capped at the employee's initial home financing amount.

30.4 Employee Personal Financing

The Bank provides Employee Personal Financing at a lower profit rate to lessen employee's financial burden during inopportune times and in addition, to assist employees financially for positive development.

30.5 Employee Benevolent Loan

The Bank provides Employee Benevolent Loan to lessen a confirmed employee's financial burden during a death of immediate family member and catastrophe due to natural disaster.

30.6 Festival Cash Advance

All confirmed employees are entitled to take Festival cash advance according to their festival celebration.

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31.0 LEARNING & DEVELOPMENT (L&D)

The policy is to set out guidelines relating to employees' training and development with the Bank. The objective of L&D is to provide employees with the relevant learning opportunities by equipping them with the knowledge, skills (both soft skills and technical skills) and right code of conduct and behaviour to enhance their effectiveness and to facilitate their career development.

31.1 Learning and Development Policy

- a. Training Calendar shall be developed and published annually.
- b. Employees must observe the training plan annually including mandatory training i.e. Anti-Money Laundering & Terrorist Financing Act (AMLATFA), Shariah.
- c. An employee who is nominated to attend training or conduct training, must attend and fulfill the obligations.
- d. All nominations to attend training should be by way of completing the Training Nomination form. Among the selection criteria in considering the nominations are:-
 - i) Job relevance
 - ii) Specific needs
 - iii) Performance rating
 - iv) Previous training records

31.2 Types of training programs

- a. In-house Training
- b. Public/External Training
- c. Attachment Programs

31.3 Training Budget and Expenses

- a. The allocation of the Bank's training Budget shall follow the Islamic Banking & Takaful Department (Employees Training Expenditure) under the Islamic Financial Services Act 2013 (IFSA).
- b. The Learning and Development Department shall be responsible to manage and administer the Bank's Annual Training Budget.

31.4 Training Withdrawal / Cancellation / Substitution Policy

Any withdrawal / cancellation / substitution / replacement of participants attending / conducting a program either an in-house or an external / public

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program shall be in writing and endorsed by the respective Head of Division and to submit to the Head of Human Capital for concurrence.

31.5 Certified Credit Profession (CCP) Accreditation & Reward

- a. Learning and Development shall initiate the registration of membership and examination fee for all employees who are required to be accredited with Certified Credit Professional (CCP). The employees are required to undergo CCP training programs and pass all examinations, attain a minimum level of experience and receive accreditation from Asian Institute of Chartered Banker (formerly known as IBBM).
- b. Employees who are accredited with CCP Consumer or CCP Business shall be rewarded as approved by Management.
- c. The Bank reserves the right to add, vary, amend or delete any of the defined guidelines without assigning any reasons whatsoever.

31.6 Educational Sponsorship for Employees

- a. In order to be considered for the sponsorship, employees should fulfill the following criteria:
 - i) Be confirmed in employment
 - ii) Have an excellent performance and with no disciplinary record
 - iii) The application is made with strong recommendation from applicant's Head of Division
- b. Applications will only be considered for approved programs. A list of approved programs is available from Learning & Development. As of the date of publishing this policy, the available programs are:
 - i) Master of Science in Banking, UUM-IBBM
 - ii) Chartered Islamic Finance Professional (CIFP), INCEIF
 - iii) Certified Shari'a Advisor and Auditor (CSAA)
 - iv) Chartered Institute of Management Accounting (CIMA)
 - v) Certified Internal Audit for Financial Institutions (CIAFIN)
 - vi) Association of Chartered and Certified Accountants (ACCA)
 - vii) Global Association of Risk Professionals (GARP) of Financial Risk Manager (FRM).
 - viii) Professional Risk Manager's International Association (PRIMA) or Professional Risk Manager (PRM)

Any revisions to this list in the future will be by issuance of memo or circulars and shall constitute as an addendum to this policy.

- c. Should an employee:
 - i) abandon the course of study before completion thereof without the written consent of the Bank; or

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- ii) during the period of his course of study / training aforesaid, be found guilty of misconduct or negligence in or indifference with his / her studies or resigns or is dismissed; or
- iii) fail to pass the requisite exam(s) for the course of study after two attempts

The Bank may terminate the sponsorship and the employee shall cease to have any claim to any benefit from the sponsorship. The employee will also be liable to pay the Bank on demand the full costs incurred by the Bank in relation to the course of study.

31.7 Training Bond

- a. Confirmed Employee will be bonded based on cumulative cost of all programs undertaken in any one calendar year.
- b. The bond period shall not be applicable to staff identified to attend Leadership and Management Development Programs.
- c. The cumulative cost of training fees per year for all contract staff shall not exceed the approved limit and no contract staff is to be bonded.
- d. Staff on probation are not eligible for any training program.

32.0 EMPLOYEE RELATIONS

Employee Relations involves the body of work concerned with maintaining employer-employee relationships that contribute to satisfactory productivity, motivation, and morale. Essentially, Employee Relations is concerned with preventing and resolving problems involving individuals arising out of or affecting work situations.

32.1 Discipline

- a. The Bank may initiate disciplinary action in situations when an employee commits misconduct.
- b. Misconduct is defined as below:
 - i) The principles in meeting the disciplinary action guidelines are based on the principles of natural justice, the rule against bias and the right to be heard.
 - ii) When misconduct is reported to the Industrial Relations Officer, an investigation will be carried out to obtain facts to the case.
 - iii) Based on the investigations, when the bank is certain there is a ground for disciplinary action against an employee, the bank must first issue a show cause/ request for explanation letter seeking written explanation from the employee.