

<p>POLICY REF. NO. CAF/HCD/POL/2015/006/HCP</p> <p>REVISION NO. 00</p>	<p>Kuwait Finance House بيت التمويل الكويتي </p> <p>HUMAN CAPITAL POLICY</p>	<p>ESTABLISHMENT DATE 1 December 2015</p> <p>IMPLEMENTATION DATE 1 January 2016</p>
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- iv) Subject to the severity and complexity of the misconduct, where misconduct happen the possible punishable action is a dismissal. Domestic Inquiry (DI) must be called for further clarification/ certainty of misconduct.
- v) Subject to satisfactory or unsatisfactory explanation from the employee and the findings from DI, the Bank may proceed with the following disciplinary action commensurate with the severity of the misconduct:
 - Warnings (oral or written)
 - Suspension from work without pay
 - Withholding of increment/bonus
 - Downgrading or demotion
 - Dismissal

32.2 Punishment for Minor Misconduct

- a. In general, based on the investigation report for cases involving minor misconduct, HCD will consult the relevant parties to the case such as Head of Department, Chief of Division, Chief Risk Officer or Chief Internal Auditor to determine the facts of the case. Once it is certain that an employee has committed an act of misconduct based on factual evidence and/or confession, the following actions will be taken.
 - i) Operational Misconduct – HCD will issue a caution/warning letter to the employee based on the Disciplinary Action guidelines and notify MANCO of its action.
 - ii) Credit or Ethical Misconduct – HCD will table to MANCO for its deliberation and decision.
 - iii) If the same minor misconduct has been committed repeatedly for three (3) times, it will be treated as a major misconduct and subjected to 32.1(b) above.

32.3 Domestic Inquiry

- a. **The principles are as follows:**

- i) Natural Justice

Justice must be done and must be seen to be done. Natural justice should be observed when disciplinary action especially one resulting in a Domestic Inquiry is being taken against an

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employee so that he/she and all employees in the organization can see that they are being treated fairly.

ii) The Rule against Bias

The Chairman and Panel Members of a Domestic Inquiry must not have a personal interest in the outcome of the proceeding against the employee, and they must not be biased or closed-minded. Anyone who is involved, directly or indirectly in the investigation of the misconduct prior to a Domestic Inquiry should not be appointed to the Inquiry Panel. If a manager or employee makes a complaint about another employee, the former should not sit on the panel.

iii) The Right to a Hearing

Employees should not be punished unless they have been given prior notice of the charge or case against them and they have been given an opportunity to answer the allegations. Before a decision is made as to the guilt of an employee, he/she should be given a chance to state his/her case.

b. Domestic Inquiry is not needed when:-

- i) Minor misconduct has been committed;
- ii) Employee's service is being terminated at the end of probationary period;
- iii) Employee's service is being terminated as per the Employment Act Section 15(2);
- iv) Employee admits his / her misconduct;
- v) Employee has been convicted by a Civil Court for a criminal offence; or
- vi) Employee is being terminated on grounds of poor performance.

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c. **Condonation**

- i) Condonation means to overlook, forgive or “turn a blind eye to” misconduct.
- ii) The Bank is deemed to have condoned an employee’s misconduct if the Bank had full knowledge of the employee’s wrong-doing and had implicitly allowed the employee to continue doing it.
- iii) However, if the Bank is aware that an employee has committed misconduct and investigates it, establishes guilt and then chooses to forgive and inform the employee concerned, such a course of action cannot be considered as condonation.
- iv) Similarly, when misconduct is not completely forgiven but a lesser penalty than dismissal is meted out, it cannot be construed as condonation.

d. **Appeal**

After a punishment is meted out, the accused employee may still appeal against the Bank’s decision, by forwarding an appeal to the Management Committee or the CEO.

33.0 GRIEVANCE

33.1 What Constitutes a ‘Grievance’

Grievance may be defined as a complaint or dissatisfaction an employee has in relation to his/her work, and which he/she seeks to redress through proper channels. It may be related to work, the workplace, his/her relationship with his/her supervisors and peers, transfer or promotion. Nevertheless, grievance excludes issues related to the employees’ personal lives.

33.2 Role of Supervisors and Managers In Handling Grievances

- a. Employees must be objective when raising a problem with the management. They should attempt their best to understand any applicable principles, underlying reasons or situations before deciding to escalate the problem as grievance.
- b. Managers must deal promptly with the employee’s grievance objectively and emphatically with a genuine aim to resolve it properly. Managers must be objective in their evaluation of the problem and take into consideration the facts, the available evidence and interests

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of all parties involved such as the Bank and employees. Guidance should be sought from Head of Human Capital to ensure faster resolution and compatible decisions over similar cases.

- c. Managers should keep a written department record of the dates and contents of any meetings or discussions with the aggrieved and the respondent party together with any adduced evidence until the case is resolved or closed. Such records will be subject to internal audit.
- d. The case shall be satisfactorily resolved from the view point of the complainant.

33.3 Grievance Methodology

- a. In general, employees are encouraged to discuss their grievances with their immediate supervisor informally first before escalating them to higher management for resolution.
- b. During this informal process, attempts to establish facts and to resolve the grievances must be made by the immediate superior within a reasonable time period.
- c. In the event the informal process fails, then employees may escalate their grievances further by submitting a formal grievance form in accordance with the grievance procedure of the Bank.

34.0 SEXUAL HARASSMENT

The Bank explicitly condemns sexual harassment as a violation of an individual's human rights and dignity and as a form of discrimination based upon sex. Therefore, the Bank's policy is that employees neither commit nor condone sexual harassment in any form. This prohibition applies equally to male and female employees.

An employee who engages in sexual harassment will be subject to the applicable disciplinary process. Sexual harassment is unlawful and may also subject those who engage in it to civil and criminal action

The Bank is committed to providing an environment free from sexual harassment. The Bank therefore strongly encourages all employees to report incidents of sexual harassment. To that end, reporting and investigating procedures are supportive of, and sensitive to the alleged victim. At the same time, they adequately safeguard the rights of the alleged offender.

34.1 Policy Rationale

Sexual harassment is reprehensible because it threatens the dignity, careers and general well-being of every employee. In both obvious and subtle ways, sexual harassment destroys an individual's ability to function at his or her highest level and has a harmful effect on one's ability to work, or engage in leisure activities within the Bank's community. Although sexual harassment

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often takes place when the people involved have unequal power (as between a supervisor and employee), sexual harassment also occurs between people who have equal power and status. The purpose of the Bank's sexual harassment policy is to educate all employees about the harm caused by sexual harassment and about behaviour that constitutes harassment based on an individual's sex or gender. Finally, and most importantly, the purpose of this policy is to eradicate sexual harassment within the Bank's community.

34.2 Definition

Sexual harassment is defined as unwanted, unwelcome, inappropriate or irrelevant sexual or gender-based activities or comments when:

- a. Submission to such conduct is either explicitly or implicitly made a term or condition of an individual's employment; or
- b. Submission to or rejection of such conduct by an individual is used as a basis for any employment decision affecting an individual; or
- c. Such conduct has the purpose or effect of interfering with an individual's work performance; or
- d. Such conduct creates intimidating, hostile, offensive or demeaning environment.

35.0 WHISTLE BLOWING

35.1 Definition of Whistle Blowing

- a. An employee who has witnessed or come across substantiated evidence of fraud and/or improper conduct may report the event/incident to the appropriate party/channel according to this policy.
- b. Whistleblowers are mainly honest employees dedicated towards working ethically in an ethical environment. According to the Global Economic Crime Survey, approximately 40% of internal frauds and impropriety have been detected through whistleblower reports.
- c. For example, an honest employee who has been directed by his/her superior to carry out a task which he knows or suspects is fraudulent and/or dishonest, will experience a dilemma. If he/she refuses to obey the instruction, he/she may be charged and penalised for insubordination, but if he/she obeys the (suspected fraudulent) instruction, he/she will be abetting the wrongdoing and committing an indictable offence.
- d. This Whistleblower Policy aims to remove this dilemma by assuring that the employee can obey the instruction and absolve himself of any abetment offence by confidentially reporting to an independent party

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represented by the Chief Internal Auditor ("CIA") or alternatively the Chairman of Board Audit Committee ("BAC"). Either party can discreetly investigate the fraudulent matter while ensuring that the whistleblower's identity is not revealed. Unless the CIA himself is suspected of being involved, whistleblowers should report to the CIA as the CIA has the resources to conduct investigations. Otherwise, if the CIA is suspected to be involved, the report should be made directly to the Chairman of BAC.

- e. For the purpose of whistleblowing, there may be employees who appoint external legal counsel to whistleblow in order to protect their interests. Although the CIA and Chairman of BAC may investigate the reports received from the external legal counsel, they do not have any obligation or responsibility towards the appointed external legal counsel.

35.2 Investigation Responsibilities

- a. The CIA has the primary responsibility and discretion to call for the investigation of all suspected fraudulent acts or misconduct under the Whistle Blowing Policy. All disclosures made only to the Chairman of BAC must be notified to the CIA unless the Chairman of BAC deems that the whistleblower has alleged that CIA is involved and/or will not conduct the investigation accordingly.
- b. The CIA shall have the discretion to call for or personally consult external legal counsel (which will come within legal privilege protection) if he deems necessary, provided he does not reveal the identity of the whistleblower.
- c. During the investigation, the CIA may consult the members of the MANCO, i.e. the CRO, CFO, and Head of Human Capital where he deems necessary, but will not disclose the whistleblower's identity. Ultimately, the CIA will report all the whistleblowing cases and investigations including those presented to the MANCO to BAC.
- d. No provision under this policy can be interpreted to restrict the CIA and the Internal Audit Division's authority given under the BAC and Audit Division Charters, or Bank Negara Malaysia's guidelines. All the whistleblowing cases and investigations shall be notified to the BAC.
- e. The approving authority for decisions to be taken on whistle blowing cases will depend on the rank of the employee under investigation:

Chief Executive Officer	The decision will be taken by the BAC. Board of Directors to be notified on the decision made by the BAC.
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Employees above the rank of 'Director' (i.e. excluding the CEO) and/or any member of MANCO.	The decision will be taken by both the CEO and BAC without going through the MANCO.
Employees ranked 'Director' and below, and all other employees	The decision will be taken by the MANCO. The CEO and BAC to be notified on the decision made by the MANCO.

- f. This includes the decision to disclose the matter to the enforcement agency.
- g. The BAC or Board of Directors may instruct the CIA to discontinue investigations provided no law or banking regulations are violated. CEO is to be notified on all the decisions made.

35.3 Whistleblowing Procedures and Important Requirements

- a. The report made by the whistleblower to the CIA or alternatively to the Chairman of BAC should preferably contain the following minimum information:
- i) Concise description of the fraud/improper conduct/breach of regulations.
 - ii) The name of the main account affected.
 - iii) The identity of the parties committing and abetting the fraud or misconduct.
 - iv) The date of the transaction took place.
 - v) The transaction amounts involved.
 - vi) The place where the transaction took place.
 - vii) Place where the incriminating evidence is available or the names of any other witnesses.
- b. The whistleblower should identify himself to the CIA and/or the Chairman of BAC as the case may be. Evidence such as documents, letters and other media recording such as video are very helpful if supplied to the CIA and/or Chairman of BAC. They usually build up a stronger case especially for criminal cases.
- c. Upon receipt of information, the CIA will perform a discreet preliminary investigation and revert to the whistleblower within 14 calendar days on whether there is sufficient ground to investigate further.
- d. If there are grounds to investigate, the whistle blower must be told that he/she will only be advised when necessary due to the need to keep matters confidential and to gather evidence discreetly. Nonetheless, the CIA will apprise him every 30calendar days on whether the status

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of the case is still open. This CIA is given the discretion on whether to provide more frequent update on the status of the case to the whistleblower. The investigation may take up to three months or more depending on the severity of the allegation.

- e. If the whistleblower resigns or retires from the Bank, he will only be updated on the status of the case if requested by him.

35.4 Confidentiality

- a. The Bank guarantees that all whistleblowing cases will be treated with strict confidentiality pending their proper investigation and conclusions. The Bank empowers the CIA and Chairman of BAC to refuse identifying the whistleblower and collaborating parties, except when required by the appropriate law by an enforcement agency. All cases so long as the disclosures were made in good faith, shall be afforded this guarantee.
- b. To qualify for this guarantee, the whistleblower employee must follow the following conditions when making the report and during the investigation. The whistleblower should not:
- i) Attempt to personally conduct investigation, interview and/or interrogate any person. This is important in order to avoid damaging the reputation of the person suspected but who may subsequently be found innocent of wrongful conduct and to protect the Bank from potential civil liability.
 - ii) The whistleblower should also not discuss the matter with anyone or voluntarily draw attention to his whistleblowing.
 - iii) The whistleblower should not act suspiciously nor behave in any way inappropriate to his / her position during and after the investigation.
 - iv) The whistleblower should not reveal his identity even if under interrogation by superiors or the alleged wrong-doer(s). All such instances should be reported to the Chief Internal Auditor.
- c. Without the strictest confidentiality, the Bank cannot properly protect the whistleblower. On its part, the Bank assures the fullest confidentiality to all employees who whistleblow in good faith with proper evidence or justifiable reasons.
- d. The commission of any of the above actions will preclude the whistleblower from protection under this policy and his actions may be detrimental to the interests of the Bank. Any of the above actions, if committed in good faith or otherwise by the whistleblower, should not

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be construed as the action of the Bank and no civil liability should be borne by the Bank or any of its Officers.

- e. In a domestic inquiry, if it is strongly believed that justice cannot be fully achieved without the discovery of the whistleblower's identity, then such inquiry may require the disclosure of the whistleblower. The decision to disclose the identity of the whistleblower must be agreed by both the Chief Internal Auditor and Chairman of the Board Audit Committee.

35.6 Protection for the Whistleblower

- a. Once the Chief Internal Auditor has acknowledged that an investigation is justified, the Bank will ensure that no detrimental action is taken against the whistleblower and other employees who come forward to cooperate in the investigation. Detrimental action is defined as:
- i) Action causing injury, loss or damage.
 - ii) Intimidation or harassment.
 - iii) Interference with the lawful employment or livelihood of the whistleblower including discrimination, discharge, demotion, suspension, disadvantage, termination or adverse treatment in relation to the whistleblower's employment, career, profession, working conditions or the taking of disciplinary action.
 - iv) A threat to take any of the actions referred to in paragraphs (a) to (c).
- b. The whistleblower should report any such action taken against him to the Chief Internal Auditor or Chairman of the Board Audit Committee because of him being or suspected as the whistleblower. The Chief Internal Auditor or Chairman of the Board Audit Committee is to seek the CEO's or the Board Audit Committee's assistance to stop any such retaliatory action.

35.7 Malicious Whistle Blowing

- a. Whistleblowers should not expect to be rewarded directly in terms of remuneration, career prospects, etc as a direct result of their whistleblowing.
- b. The Bank under the confirmation of the MANCO or the Board Audit Committee will consider all reports made in good faith but strict disciplinary action will be taken against employees who intentionally make false or baseless reports.
- c. Reports made deliberately without proper evidence, with falsified evidence or without reasonable grounds to suspect wrong-doing are

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deemed malicious reports. The reporter may then be subject to the Bank's disciplinary procedures and penalties for such misconduct, which may lead to dismissal and possibly civil action.

35.8 Authorisation for Investigating a Whistleblower Allegation

The Investigating Officer (IO) assigned by the Chief Internal Auditor or Chairman of the Board Audit Committee to investigate a whistleblower's allegation will have:

- a. Free and unrestricted access to all relevant Bank records, employees and premises, whether owned or rented during the investigation.
- b. The authority to examine, copy, and/or reasonably remove all or any portion or the contents of documents, files, desks, cabinets, and other storage facilities on the premises without the consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.
- c. Authority to call and interview employees to investigate the allegation, and to require these employees to give signed statements.
- d. Full cooperation from all parties concerned during the investigation.
- e. Any inordinate or intentional delay in delivering or tampering or updating the items or records requested by the IO may subject the party responsible to serious disciplinary action.
- f. The Investigating Officer shall give a proper request and should acknowledge receipt of items or records requested. Where records are mandatory or are needed for operations, the copies of the records should be made for the department while the IO retains the originals.
- g. The Investigating Officer shall also have immunity from detrimental action from any party in pursuing the investigation under the direction of the Chief Internal Auditor and/or Chairman of the Board Audit Committee.
- h. The Bank's Investigating Officer may also work together with any external investigation officers appointed by the enforcement agency (if necessary).

Note: An appropriately qualified Investigating Officer from Internal Audit Division and/or Human Capital Department shall to be appointed by the Chief Internal Auditor to lead and conduct the investigation.

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35.9 Disciplinary Action Against “Hostile” Parties

- a. The Chief Internal Auditor may recommend to the MANCO or Board Audit Committee to take action against any person who is proven to have intentionally hampered or instigated action to hamper any whistleblower investigation.
- b. In order to ensure proper implementation of this policy, no party should take any detrimental action or threaten to take any such action against any whistleblower, witness or the Investigating Officer in any whistleblowing investigation. The victim claiming such detrimental action has to prove that such action has been taken against him because of the relevant whistle blowing allegation.
- c. Any person irrespective of rank if proven guilty of having intentionally committing detrimental action against the whistleblower, shall be subject to disciplinary action if such complaint by the whistleblower is proved to be reasonable.

35.10 Reinstatement of Benefits for Whistleblower

At the same time, Board Audit Committee shall have the authority to suspend detrimental action taken against the whistleblowing parties or call for immediate reinstatement of all employment benefits due to the whistleblowing parties.

