



إحدى شركات مؤسسة البترول الكويتية
A Subsidiary of Kuwait Petroleum Corporation

PIC CORPORATE GOVERNANCE

CODE OF BEST PRACTICE

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INTRODUCTION





INTRODUCTION

About PIC

Since the 1960s an industry for the production of ammonia and nitrogen fertilizers has existed in Kuwait. It has constantly adapted to the latest developments in technology and uses Kuwait's natural gas as its feedstock. Kuwait, represented by Petrochemical Industries Company K.S.C. (**"PIC"**) has established a firm footing for itself in ammonia and urea international markets through Kuwait & United Kingdom of Bahrain (Gulf Petrochemical Industrials Company) production facilities and its Joint Venture.

PIC was incorporated by an Amiri decree on July 23, 1963. By virtue of that decree, the first chemical fertilizer complex both in Kuwait and the region, comprising of ammonia, urea, ammonium sulphate, and sulphuric acid production was completed in 1966 at the Shuaiba industrial area.

Subsequently, PIC's industrial capacity was expanded with the addition of a further three ammonia plants and two urea plants.

In 1980, Kuwait Petroleum Corporation was formed by an Amiri decree number 6 in that year, as the holding company for the Kuwaiti oil sector and all shares in PIC were transferred to it.

On June 28, 1989, PIC signed the licensing and basic engineering agreement for the Polypropylene Project with an annual production capacity of 100,000 tons.

On June 19, 1993, the company signed a memorandum of understanding with Union Carbide Corporation for the construction of the Petrochemicals Complex at the



Shuaiba Industrial Area. The project, which is one of the largest projects in the world at present, was on-stream late 1997. It consists of units to produce 650,000 tons annually of ethylene and its derivatives polyethylene and Ethylene Glycol.

On July 15, 1995 the company signed the memorandum of association of Equate Petrochemicals Company with Union Carbide. Each company holds 45% of the capital and Bubyar Petrochemicals Co. holds 10% of the capital.

On July 16, 2001 Kuwait Petroleum Corporation board (KPC) in its resolution no. 19/2001 at the session no. 15/2001 approved the capital budget for the aromatics project.

On November 13, 2002 KPC board approved the capital budget for the Olefins II project in its resolution no. 62/2002.

The Board of Directors of KPC approved Styrene project in April 2002 as part of the Aromatics project. Its separation from the aromatics project was also approved by the Board of Directors of KPC on December 31, 2003 in resolution no. 65/2004.

On June 1, 2004 The Dow chemical company and PIC announced the foundation of two new joint ventures. These two joint ventures are ME Global and Equipolymers.

On 2004 PIC established Al-Qurain Petrochemicals Industries Company which became a partner with EQUATE Petrochemicals Company, The Kuwait Olefins Company (TKOC) and The Kuwait Aromatic Company (TKAC).



The mega projects of the company and its new participation have happened as a result of the success that has been achieved by the company through its different ventures, which are represented by the following:

Participating companies:

1. The Kuwait Aromatic Company (TKAC)
2. The Kuwait Olefins Company (TKOC)
3. The Kuwait Styrene Company (TKSC)
4. EQUATE Petrochemicals Company
5. Gulf Petrochemical Industry Co. in Kingdom of Bahrain
6. Equipolymers (Headquarter in Switzerland)
7. PIC Canada
8. ME Global Canada Inc.
9. ME Global B.V. (Headquarter in Dubai)
10. Al-Qurain Petrochemicals Industries Company

PIC VISION

We will:

Aspire to be a recognized global petrochemical player leveraging Kuwait national resources in value added partnerships to drive growth and being admired by our stakeholders.

PIC MISSION

PIC, as a subsidiary of Kuwait Petroleum Corporation, shall achieve a marked position with downstream extension



into high value petrochemical business while ensuring integration with KPC activities both domestically and internationally through:

- Maximizing value addition of Kuwait hydrocarbons resources
- Excelling our organizational performance through peoples' empowerment and infusing industry best practices
- Creating a challenging and fulfilling environment that will support skills and capabilities development
- Collaborating closely with our partners towards a sustained and diversified global growth
- Fostering National economy

PIC VALUES

- **Integrity:**

We will act with openness, trust, respect, fairness, transparency, honesty, reliability, high ethical standards, professionalism, and accountability.

- **Excellence:**

High performance, operational excellence, continuous improvement, high quality products and services, customer focus.

- **Flexibility:**

Willingness to change, Innovation, Responsiveness

- **Motivation:**

Collaborative work place, teamwork; loyal



environment driven by appropriate performance culture.

- **Partnership:**

Long-term, values-adding relationships that support growth and enhance operational excellence

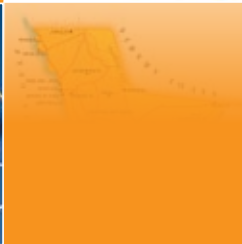
- **Commitment to HSSE and society:**

Environmental protection, safety, security, and Healthy Workplace. Corporate social responsibility in Kuwait and in host communities.

- **Corporate Thinking:**

Care for KPC's interest and issues and ensure alignment to achieve KPC's goals as a total rather than Segment.

Definition of Corporate Governance





Definition of Corporate Governance

Corporate governance is an essential document consists of leadership and organizational structures, processes and best practices that help the entities and organizations to sustain and extend their strategies and objectives.

Why we need Corporate Governance

Corporate governance is about the way in which the Board of Directors oversees the running of a company and how board members are in turn accountable to shareholders and the company. This has implications on company behaviour towards employees, shareholders, customers and other parties. Good corporate governance plays a vital role in promoting the integrity and efficiency of a cooperation. Poor corporate governance weakens a company's potential and at worst can pave the way for financial difficulties and even fraud. If companies are well governed, they will usually outperform other companies and will be able to attract investors whose support can help to finance further growth.

PIC Corporate Governance

This PIC Corporate Governance Code (the "Code") presents essential statutory regulations for the management and contains internationally and nationally recognized standards for good and responsible corporate governance. The Code aims at making the PIC Corporate Governance system transparent and understandable. Its purpose is to promote the trust of international and national investors, customers, employees and others.

The Code also clarifies the rights of shareholders, who





provide the company with the required equity capital and who carry the entrepreneurial risk.

The Board of Directors is responsible for managing the enterprise. Its members are jointly accountable for the management of the enterprise. The Chairman and Managing Director coordinate the work of the Board of Directors.

The appointed Board of Directors supervise and advise the members of the Top Management and is directly involved in decisions of fundamental importance to the enterprise and its subsidiaries'. The Chairman of the Board and Managing Director coordinate the work with the Stakeholders.

CORPORATE GOVERNANCE OBJECTIVES AND BASIC PRINCIPLES

The company's Corporate Governance Principles have been developed primarily from the company's Memorandum and Articles of Association and the Law No 15 of The Year 1960 of the Kuwaiti Commercial Companies Law and subsequent amendments.

The Board of Directors is fully entrusted with the responsibility and custody of PIC's Corporate Governance Principles.

Objectives:

The main objectives of the Code are to:

- enhance economic value for all shareholders by making the most efficient use of resources;
- realize the maximum shareholder value by



improving the company's prospects for meeting its environmental, community, and social obligations;

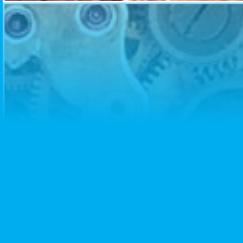
- reward, train, and retain key staff;
- enhance employees satisfaction, by developing their skills based on the required job competencies, which is a lead indicator of corporate success;
- define the principles that must support the governance of each Department;
- provide the framework within which each Department can ensure confidence and credibility;
- minimize risk, and manage change; and
- assist Departments by demonstrating what is considered to be best practice.

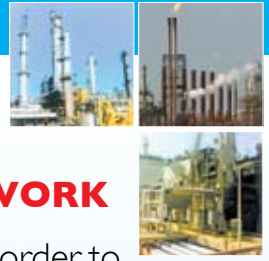
Principles:

The basic principles of this Corporate Governance Code include:

- Credibility
- Fairness
- Transparency
- Empowerment

Corporate Policies & Framework



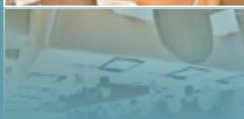
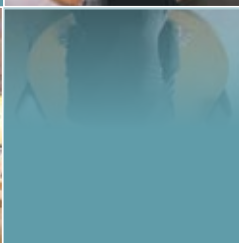


C CORPORATE POLICIES & FRAMEWORK

The Corporate Policy is a guideline, formulated in order to assure that the Company meets its objectives, operations, and plans. The following 6 frames will help such objectives and plans come factual through effective communications to various stakeholders:

- Board of Directors & Committees
- Legal & Regulatory
- Monitoring
- Business Practices & Ethics
- Risk & Performance Management
- Disclosure & Transparency

Board of Directors & Committees





FIRST: BOARD OF DIRECTORS & COMMITTEES

The Board of Director is an important part of the governance structure in any large business corporations. The Board of Directors which has the power to resolve any conflict of interest among decision makers and residual risk bearers.

Therefore, the PIC's Memorandum of Association sets all the substance and matters that help the Board of Directors to perform their duty in an efficient matter as per the applicable Laws and Regulatory.

A- BOARD OF DIRECTORS

AI-Board composition

AI-1 The Company shall be managed by a board of Directors composed of seven members appointed by Kuwait Petroleum Cooperation's Board of Directors upon the recommendation of the Chairman of Kuwait Petroleum Corporation for a renewable term of three years.

AI-2 A member of the Board of Directors shall satisfy the conditions stipulated in the Law of Commercial Companies.

AI-3 The Board of Directors elects, through secret ballot, the Chairman of the company who will, at the same time, occupy the position of Managing Director. The Chairman will represent the company in front of courts, and he/she has to execute decisions issued by the Board of Directors. The Board of Directors will elect a Vice-Chairman from its Board Directors to work on behalf of the Chairman when the Chairman is absent and also a deputy Managing Director when the Managing Director is absent.



AI-4 Signing severally on behalf of the Company is assigned to the Chairman of the Board or his/her Deputy and any other member delegated by the Board of Directors for the purpose.

AI-5 In the event of a Board member post falling vacant, Kuwait Petroleum Corporation's Board of Directors shall appoint a successor upon the recommendation of the Chairman of Kuwait Petroleum Corporation. If the number of vacant posts rises to two, such appointment must be made within two months of the date when the last post fell vacant, and in all cases the new member shall hold office for the balance of his predecessor's term only.

A2- Board Meetings

A2-1 The Board of Directors shall meet at least six times a year on the call of its Chairman and shall also meet if at least three of its members so requested. The Chairman of the Board shall submit to the Minister of Oil and the Chairman of Kuwait Petroleum Corporation a copy of the agenda at least three days before every meeting, and each of them may request that the consideration of any item on this agenda be postponed to a future meeting.

A quorum of the Board of Directors meetings shall require the presence of the majority of the Board members. Board meetings may not be attended by proxy.

A2-2 Resolutions of the Board of Directors shall be a majority of the votes of the Board members. A Special register shall be kept for recording the minutes and resolutions of the board meeting and shall be signed by the Chairman of the Board and the members present. A member protesting against a resolution may demand that



his/her opinion be put on record. A copy of such minutes and resolutions shall be sent to the Minister of Oil and the Chairman of Kuwait Petroleum Corporation.

A2-3 If a Board member fails to attend three consecutive sessions without a valid reason he may, by resolutions of the Board of Directors of Kuwait Petroleum Corporation, be deemed to have resigned.

A3 Remuneration of the Board

Without prejudice to the provisions of the law of Commercial Companies and subsequent amendments, the Ordinary General Assembly shall fix the remuneration of the Board members.

A4- Board Authority and Roles

A4-1 The Board of Directors shall have the widest power for the management of the company and carry out all acts necessary for attainment of its objects. Such authority shall not be limited except as is provided for by Law and in PIC's Articles of Association and the resolutions of the General Assembly. The Board of Directors however shall not sell or mortgage the company property, issue sureties or contract loans except with the approval of the General Assembly.

A4-2 The Board of Directors shall prepare the company's annual budget and submit it to the Board of Directors of Kuwait Petroleum Corporation for approval by a date at least five month prior to the date of its implementation.

The company's estimated annual budget shall be effective upon approval of the estimated annual budget of Kuwait Petroleum Corporation by the competent authorities.



A4-3 the member of the Board of Directors shall not be personally liable for any commitments of the company by reason of their carrying out the duties of their appointments intra verse.

A4-4 The Chairman and members of the Board are responsible for their duties to the Company and the Governments and third parties for any acts of fraud and misuse of authority and for any violation of the law or the PIC's Articles of Association or the resolutions of the Supreme Council for Petroleum and for mistakes in management.

No ballot vote by the General Assembly acquitting the Board of Directors shall prevent legal proceedings against the Board member for liability.

A5- SHAREHOLDERS AND OWNERS

PIC is established under the provisions of the Law of Commercial Companies and the Articles of Association. The shareholder of PIC is Kuwait Petroleum Cooperation.

A6- Authority and Duties of Shareholder

The shareholder of the company shall exercise the supreme authority of the company in General Assembly meetings and has the right to:

- ensure that only competent and reliable persons who can add value to the company are elected or appointed to the Board of Directors;
- ensure that the Board of Directors is constantly held accountable and responsible for the efficient and effective governance of the company; and



- Change the composition of a Board of Directors that does not perform to expectation or in accordance with the mandate of the corporation.

A7- Ordinary General Assembly

A7-1 Kuwait Petroleum Corporation's Board of Directors shall assume the powers of the Ordinary General Assembly while the Supreme Council for Petroleum shall assume the powers of the Extra-ordinary General Assembly provided for in the Articles of Association.

A7-2 The Chairman of the Board of Directors shall notify the Chairman of the Board of Kuwait Petroleum Corporation (Minister of Oil) of the call to a General Assembly Meeting of Oil and shall present the agenda of the Extra-ordinary General Assembly Council for Petroleum for final approval.

A7-3 In any case where the Ordinary General Assembly meets at the request of the Board of Kuwait Petroleum Corporation or of the Auditors, the agenda for that meeting shall be prepared by the party calling the meeting. No matter other than those listed on such agenda shall be discussed.

A7-4 For the valid convention of the Extra-ordinary General Assembly and its resolution, the rules governing the valid convention of the Supreme Council for Petroleum and majority required for passing its resolution shall apply.

A7-5 The General Assembly in an Ordinary Capacity shall meet at least once a year at the request of the Board of Directors. This meeting shall be held within six months



after the end of the company's fiscal year. It shall also meet whenever the Board of Directors deems it necessary.

It shall be incumbent upon the Board of Directors to convene the Ordinary General Assembly wherever requested to do so by the Board of Directors of Kuwait Petroleum Corporation. The meeting shall be held within a month of the date of request.

A7-6 The Ordinary General Assembly shall be responsible for all matters related to the Company except what is reserved by Law or PIC's Articles of Association for the General Assembly when it meets in an Extra-ordinary capacity.

A7-7 The Board of Directors shall submit to the Ordinary General Assembly a report including sufficient details on the progress of the business of the company and its financial and economic status, the company's balance sheet, a statement of the profit and loss account and a statement of the remunerations of the Board members and auditors fees and the proposed dividends.

A7-8 The Ordinary General Assembly shall discuss the report of the Board of Directors and Directors and take action accordingly.

It shall further consider the report of the auditors and appoint the auditors for the next year and determine their fees and remunerations.

A7-9 The General Assembly shall convene in an Extra-ordinary capacity at the call of Board of Directors or the request of the Supreme Council for Petroleum, and in this latter case the Board of Directors shall call the General



Assembly to convene within fifteen days from the date of the request.

The President of the Supreme Council for Petroleum may call the Extra-ordinary General Assembly to convene and he may fix the date of such convention and draw up its agenda and notify the Minister of Oil thereof.

A8- Extra Ordinary General Assembly

The following matters only shall be considered by the Extra-Ordinary General Assembly:

- Amendment of the Company's Memorandum or Articles of Association.
- Sale of or disposal otherwise of a whole project implemented by the company.
- Dissolution of the company or its merger with any other company or corporation.
- Increasing & Reduction of the company's capital.

B-Committees

Committees are one of the tools that help the Board of Directors make sure that the Company performs its business as per its mission and vision.

B-I THE AUDIT COMMITTEE

The Audit Committee principles are set out below.

B-I-I Definition and composition of its membership:

The Audit Committee is a sub-committee of the company's Board of Directors whose membership includes at least



three external Board members. The Board of Directors are responsible to determine its role, composition and working procedures, the designation of its members and decide on the annual remuneration of the audit members. At the first meeting, the Audit Committee will choose its Chairman and his/her Deputy.

B-1-2 Function of the Secretariat of the Audit Committee

The Function of the Secretariat of the Audit Committee is carried by a Team Leader Finance Officer to do the following actions after the coordination on the same with the Chairman of the Committee.

1. Invites the members to attend the meetings of the Committee.
2. Sets the agenda of the Committee.
3. Prepares the minutes of the Committee and its recommendations in its final shape in order to present it to the Chairman of the Committee for his action and submits the same to Company Board of directors.
4. Takes the necessary actions to follow up the implementation of the recommendations of the Committee after it's approved by the Company Board of Directors.
5. Keeps a record of all the minutes and decisions are been taken by the Committee.
6. Maintains direct channels of communication between the following parties: Company Management, External Auditors Internal Auditors and the Committee.



B-1-3 The objective of the establishment of the Audit Committee:

The main objectives of the Audit Committee are to assist the Board of Directors with the:

- supervisory and regulatory functions with respect to the quality and integrity of financial statements; and its commitment to the regulations and legislation;
- independence and efficiency of the external auditor; and
- Performance of an internal and external audit and internal control systems.

The Audit Committee is the focal point for auditing between the Board of Directors, the Finance Department, the external auditor and the internal auditor.

B-1-4 Meetings of the Committee:

The committee meets four times a year, or whenever the need arises. The Chairman of the Committee sends the invitation, or his deputy in the case of his absence, the presence of two members at least in such meetings is conditional.

B-1-5 Decisions of the Commission:

A decision of all the recommendations been taken by the Committee will be issued once the approval is granted by the majority votes of the presence members, in case the votes are equal, then the side with the Chairman of the Committee will be prevailed . A decision of all the same will be issued once the approval of the Company Board of Directors is granted.



B-1-6 Functions of the Audit Committee:

The main functions of the Audit Committee are to:

1. propose the functions of the Audit Committee's work, to be reviewed annually or as needed and approved by the Board of Directors of the Company;
2. review the proposal to appoint or release an external auditor of the company, as well as the fees and submit a recommendation to the Board of Directors;
3. review the nature and size of relations and other professional services provided by the external auditor outside the normal scope of the audit and verification of the independence of the external auditor by obtaining a statement written by him;
4. review the audit plan and the competency of the external auditor team with the programme submitted.
5. review financial policies and principles established by the international accounting and the changes of a physical impact on the financial statements;
6. discuss the annual financial statements (and periodic, if any) with management and the external auditor and review the audited financial statements, including notes prepared by the Management and the Management's report on the financial and operations position and to ensure that they reflect the proper application of international accounting principles, in the light of information available to the



members of the Audit Committee;

7. meet with the Management and the internal auditor and external auditors. It has the right to hold joint or individual meetings with each of them, especially when discussing the annual financial statements before submission to the Board of Directors;
8. review any problems or difficulties, constraints may impede and obstruct the external auditor's work, and the Management response;
9. review and approve the annual internal audit plan;
10. review internal audit reports, annual and periodic discussion with the internal auditor and management;
11. ascertain the existence and effectiveness of the mechanism of information security systems and plans for continuity of operations and emergencies and the effectiveness of Company Risk Management.
12. review the Audit Bureau Report on Company activities for the Financial year and the Management responses and follow-up action taken; and
13. preparation of reports on the work been done by the Audit Committee and submit to the Board of Directors; and the Audit Committee to prepare an annual report of its recommendations on the financial statements and other matters.

B-1-7 The powers of the Audit Committee:

The Audit Committee shall have the right to:

1. examine all books, records, assets and information



- they need to perform their work;
2. interview any of the staff and Company officials to identify the information that enables the committee to carry out designated tasks;
 3. obtain assistance from external auditor and consultants or an expertise office to carry out any review of the additional scrutiny or that it may deem appropriate for the performance of its functions; and
 4. Liaise and communicate with Company Management, internal & external auditor or any parties related to the function of the Audit Committee.

B-1-8 Remuneration of the members of the Audit Committee:

For the tasks and functions carried out by the Audit Committee, each member shall receive remuneration in accordance with the system of remuneration established by the Board of Directors of Kuwait Petroleum Cooperation.

The Secretariat of the Audit Committee will receive (KD 750) as remuneration for the tasks and functions carried out by him in such Committee; and will receive a (KD 100) for each meeting attended by him with maximum remuneration (KD 1500).

Legal & Regulatory





SECOND: Legal & Regulatory

A-Applicable Laws & Regulatory

PIC commits itself with the applicable & the future regulations and legislation while performing its businesses and activities, in order to meet its Missions & Visions with no impediments.

Such Laws & Regulatory are as shown in the Appendix I of this Code.

Monitoring





THIRD: Monitoring

In order for PIC to continue improve its Business (Financially and technically), HSE & Quality processes, and to be recognized internationally. The following tools required, whether by Laws or Policy/Systems to be adopted, to ensure that PIC consistently deliver products and services that meet its stakeholders quality requirements:

A- External Auditors

A-1 The Company shall have one more auditors who shall be chartered accountants and they shall be appointed by the General Assembly, which shall also determine their fees. The Auditors shall produce accounts of the financial year for which they are appointed.

A-2 The fiscal year of the company shall commence on the 1st April and ends on the end of March of the following year.

A-3 The auditor shall exercise the powers and bear the responsibilities provided for in the Law of Commercial Companies. In particular, he shall have the right of access at any time to all book, registers, records and documents of the company and to request the information he deems necessary to have. He may also verify the assets and liabilities of the company. If he is not permitted to exercise such powers, he shall state that in writing in a report to be submitted to the Board of Directors and to General Assembly. He may call the General Assembly to meet for this purpose.

A-4 The auditor shall within the limits of the information available to him submit a report to the General Assembly



in which he shall indicate whether the balance sheet and the profit and loss account are in agreement with the real state of affairs and honestly and clearly illustrate the true financial standing of the company, whether the information in the company books and whether there have been any violations of the provisions of the company's Articles of Association or of Law during the fiscal year in a manner that would affect the activity or financial position of the company and shall indicate whether such still exist.

The auditor shall be responsible for the correctness of the information in his report in his capacity as representative of the entire body of shareholders. He may be questioned during the General Assembly meeting and be asked to clarify the contents of this report.

A-5 A percentage, to be determined by the Board of Directors of Kuwait Petroleum Corporation, shall be deducted from the gross profit to meet depreciation on the company's assets or to compensate any fall in their value. An additional amount may be deducted from the gross profit to meet the financing of the replacement and renewal operations of the company's assets pursuant to Article 10 of Law No. (6) Of Kuwait Petroleum Corporation, provided that the company shall transfer the assets replacement allocation to Kuwait Petroleum Corporation. A further percentage, to be determined by the General Assembly, shall also be deducted the gross profit to meet company's commitments arising under the Labour Law.

A-6 All net profits shall be transferred to Kuwait Petroleum Corporation with the value of the amount set aside as statutory reserve (10%) out of the side profits



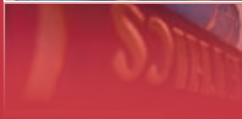
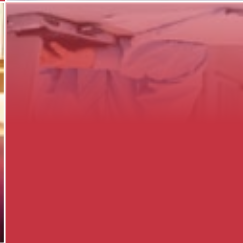
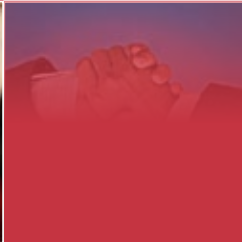
indicated, after deducted of the remuneration determined by the General Assembly for the members of the Board of Directors.

B- Effective Management Systems

PIC's Management systems cycle identify & evaluate HSE&Q aspects (Customer requirements, Environmental aspects & Safety and occupational health Risks), sets control measures to control them, test their control effectiveness & apply effective corrective/preventive action system toward any defect in the processes. This process assures continual improvements in the company, in addition to other parts of the system that aims to support the continual improvement process; such as setting objectives & targets.

PIC management System is in compliance with a standards as mentioned in Appendix 2 of this code.

Business Practices & Ethics





FOURTH: Business Practices & Ethics

The Code of Conduct developed by Kuwait Petroleum Corporation (“KPC”) to apply to the employees of KPC and all direct and indirect wholly-owned subsidiaries of KPC, which includes PIC.

The intent of Code of Conduct which launched by KPC is to provide a set of guidelines to all its employees & the employees of its subsidiaries’ while conducting their business and professional activities and when dealing with colleagues, Vendors, Customer, Contractors, Government agencies and the public.

This document serves as a reminder to all KPC employees that it is important for all of us to uphold the highest standards of integrity and personal conduct in all matters that involve KPC.

A- VALUING ALL PEOPLE

A-I Respect for Religious Beliefs

KPC’s policy is to respect the beliefs and religious practices of people of all faiths. It is, therefore, the responsibility of each employee to honour and respect the right of others to practice their religious beliefs in dignity. Interference with these rights and freedoms will be considered a violation of the law and KPC policy and will be subject to disciplinary action, including termination of employment.



A-2 Harassment

KPC intends to provide a work environment that is pleasant, healthy, comfortable and free from intimidation, hostility or other offensive behaviours toward employees, contractors, vendors or customers. Sexual harassment of any sort, including verbal, physical or visual, is strictly prohibited. The making of false accusations and defamatory statements, whether verbal or written, of such harassment is also strictly prohibited. Any employee who engages in any act of harassment in the course of employment shall be subject to disciplinary action. If you believe that you may have been subjected to harassment, you should immediately report the occurrence to the Compliance Officer. All complaints will be treated in strict confidentiality and will be promptly investigated.

A-3 Rights of the Individual

A-3-1 Good Working Environment

KPC endeavours to provide a safe, healthy, pleasant and supportive working environment for all its employees.

A-3-2 Employee Indemnification

We will indemnify you and hold you harmless, whether you are a current or former employee, if, in the performance of your duties or acting at KPC's request, you are made a party to any civil, criminal or administrative action brought against you and/or KPC. In such a situation, we will pay any costs or expenses reasonably incurred and any amounts paid to settle any action or judgment actually



and reasonably incurred by you in connection with the investigation, defence or appeal of such proceedings, provided:

1. You acted in good faith and honestly believed such actions to be in KPC's interests;
2. In the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, you had reasonable grounds for believing that your actions were lawful;
3. You promptly notify us of the initiation of such proceedings;
4. You positively participate in the defence;
5. You allow us to participate in your defence; and
6. You obtain our prior written approval before making any settlement in the proceedings.

A-3-3 Equal Employment Opportunity

KPC's policy is to provide equal employment opportunity in conformance with all applicable laws and regulations to individuals who are qualified to perform a particular job. We administer our personnel policies, programs and practices in a non-discriminatory manner in all aspects of the employment relationship, including recruitment, hiring, work assignment, promotion, transfer, termination, benefits and salary administration and selection for training.



A-3-4 Fair Treatment (Advancement, Development, Discipline)

Our employees are valuable to the future of KPC and are KPC's greatest assets. As such, all decisions that directly affect an employee's employment status will be fair and equitable. This manifests itself in three ways:

1. Advancement will be on the basis of merit and performance. Clear criteria will be applied to candidates for vacant posts and the most capable will be promoted.
2. Development is an essential aspect for all KPC employees. KPC endeavours to provide an environment for improving your qualifications, abilities and skills compatible with your employment position and responsibilities, as well as KPC's policies, rules, regulations and plans.
3. The Disciplinary Process will always be fair and equitable. If you are a party to a disciplinary review, you will have the opportunity to forward your case or grievance to the Personnel Department. You will be considered innocent of any alleged violation unless found otherwise. At all times, you will be kept fully aware of your rights and options and will have access to an appeals process if found to be in violation. Disciplinary actions will be prescribed according to the disciplinary code of your relevant personnel policy. You are advised to refer to your personnel policy and to contact the Personnel Department for any additional information.



A-3-5 Participation

you are encouraged to offer your suggestions and ideas for improving our products and services, systems, policies and procedures.

B- HSE Policy & commitment

I pledge to protect the environment & the health & safety of my colleagues.

A good performance in Health, Safety and Environment has tangible and intangible benefits by way of protecting our environment and caring for the welfare of our employees and contractors. Our goals in this regard are to achieve zero injuries and illnesses and to ensure the protection of the environment wherever we conduct our business. Furthermore, off-the job safety of our employees is just as important as safety on the job.

Strict compliance with applicable HSE policies and standards is an ethical and professional value of KPC. We aim to conduct our business in a healthy, safe and environmentally acceptable manner.

We recognize that HSE systems in one set of our operations might be inapplicable to other operations, so you should strictly adhere to your company's HSE policy, standards and procedures. As a result, all HSE principles, procedures and practices established and documented in your relevant HSE Management System must be followed and implemented



C- Good citizenship & social responsibility

I pledge to contribute positively to my community.

C-1 Respect for the Law

You are required to obey all local laws and regulations. We endeavour to maintain appropriate levels of legal awareness to protect KPC's interests and those of our employees by anticipating the legal requirements that may arise from new laws and regulations, new business endeavours or modifications of existing business arrangements. You are responsible for reporting any occurrences or circumstances that may have legal implications for KPC.

You are also required to obey the laws of other countries when travelling on business trips or training courses.

C-2 Substance Abuse

We are committed to providing a safe, healthy, productive and comfortable working environment. Accordingly, you are expected to be in suitable mental and physical condition while at work for effective and safe performance of your duties.

Whenever use or abuse of any mood-altering substance (such as alcohol, prescription or illegal drugs) interferes with a safe workplace, appropriate action will be taken. The possession or use of moodaltering, non-prescription substances at the workplace, or coming to work under the influence of such substances, is strictly prohibited, is



considered a violation of safe work practices and will be subject to disciplinary action.

Use, possession, transportation or sale of any illegal drugs or other mood-altering, non-prescription substances on KPC-owned or leased business premises is strictly prohibited. We reserve the right, in accordance with the law, to search all persons and their personal effects at any time on KPC property or upon entering KPC premises for any of those items, and to require employees to submit to medical evaluation or testing where cause exists to suspect use of illegal substances.

C-3 Social and Political Relations

We recognize that we have an important role to play in the welfare of the society and that we have a responsibility to communicate, participate and cooperate with local authorities and with organizations interested in the welfare of the society. We encourage all our employees to accept this responsibility and take part in discussions and activities designed to solve community problems in the best interest of the society and KPC, but also to ensure that they do not appear to be acting as spokespeople for KPC.

Employees as individual citizens should maintain good relationships with society, including participating effectively in professional societies, licensed charities and community centers.

You have the right to voluntarily participate in the political process. No one at KPC may require you to contribute to, support or oppose any political group or candidate. You



may not, however, work on a political campaign activity during official working hours, on KPC-owned or leased property or by using KPC-owned or leased assets such as computers, printers, photocopies, electronic mail and other such assets

D- Ethical business conduct

D-1 Business Ethics

Our reputation, and the trust and confidence of those with whom we deal, are among our most vital corporate resources. We are committed to conducting our affairs in a uniformly ethical manner and pursuant to a standard of fundamental honesty and fair dealing. This standard requires adherence to all laws, regulations and normal ethical practices that apply to our business activities, including adherence to official working hours and appropriate business attire. We expect all employees to act in the highest integrity and to report violation of law or policies to the Compliance Officer. You should obey all lawful instructions given by KPC or by any person duly authorized to do so.

D-2 Conflict of Interest

We all have a responsibility always to work in KPC's best interests and, therefore, must avoid situations and actions that may constitute or create the appearance of constituting a conflict of interest with those of KPC without first having declared your personal interest. Conflicts of interest are often difficult to identify in the early stages and can arise during the course of performing your regular business.



Nevertheless, it is your responsibility to seek guidance from your supervisor or the Compliance Officer if there exists a conflict of interest or even the chance of one arising or appearing to arise.

The simple acts of disclosing the possibility of a conflict of interest and abiding by the instructions of the Compliance Officer in that respect release you of the risk of losing the trust placed in you to act in KPC's best interests. Therefore, you are urged to discuss any potential conflict of interest with your supervisor or with the Compliance Officer immediately when a potential conflicting circumstance arises. It is always better to look for any such possibility and disclose the same to the Compliance Officer rather than losing KPC's trust at a later stage.

While it is not possible to identify every circumstance that may lead to a conflict of interest, ones similar to the following examples are deemed to create a conflict of interest:

- Knowingly holding, or having a relative such as a spouse, sibling, parent, child, uncle, aunt, nephew, niece, grandparent, grandchild or parent- or sibling-in-law who holds, a substantial financial interest in any enterprise with which KPC has business dealings (e.g., suppliers, contractors, vendors, customers and licensees);
- Knowingly holding, or having such a relative who holds, a substantial financial interest in any enterprise in which KPC has an investment;
- Accepting, directly or indirectly, from any vendor or



supplier of services any vacations, cash payment, service, loan (except from financial institutions) or discount (except those offered generally to KPC employees) or other items reasonably seen to be inducements by you or any of your relatives of the first or second degree;

- Acting as a director, officer or employee of any non-affiliated business or other institution with which KPC has a business relationship;
- Directing a business opportunity from KPC for your personal interest;
- Using KPC assets (e.g., stationery, letterhead, funds, facilities, equipment, tools, personnel or job-related know-how) for the benefit of other business or personal interests; and
- Engaging in outside activities that may adversely affect your impartiality or judgment or that may interfere with or adversely affect your ability to perform your official duties.

D-3 Bribery & Corruption

Corruption is any abuse of an official position for personal gain. Bribery is a form of corruption. You must not offer, solicit or accept a bribe in any form and not permit any third parties acting on behalf of KPC to do so. You may not accept any gift, payment or bribe, or anything else of value, whether directly or indirectly, from any person for the purpose of influencing an official act or decision, or to obtain, retain or direct business to any company or person.



D-4 Gifts & Entertainment

In principle, there is nothing wrong with receiving or giving gifts of appreciation of nominal value and of a promotional nature endorsed with a corporate logo such as calendars, diaries, pen sets and calculators. However, if you receive any gift valued at over KD 100 or the local currency equivalent or any lesser amount stipulated in your local policy, you must declare the same to your supervisor.

You are also prohibited from offering any gift to anyone employed by an outside organization, government department, or anyone else with whom KPC has or may be in the process of developing a business relationship where the giving of such a gift violates the regulations issued by your company or the laws governing the recipient.

D-5 Outside Employment

Generally, KPC's employment contracts prohibit any employment outside KPC, except pro bono work at registered charitable organizations. Accordingly, we will strictly enforce this provision and any employee who violates this prohibition will be subject to disciplinary action, including termination of employment.

We recognize, however, that some KPC companies' employment contracts may permit outside employment by employees so long as it does not interfere with an employee's official duties. In those cases, you are advised that outside employment could give rise to a conflict of interest with respect to your continued employment. Therefore, if your company permits outside employment,



you must obtain written approval from your Managing Director (or the manager to whom he has delegated that responsibility) before accepting any supplemental job. You must also notify your supervisor if your duties in outside employment change significantly.

In either case, you must devote all official working time to work duties and not engage in any other duties without permission from the Personnel Department.

D-6 Preventing Fraud & Theft

Fraud and theft are violations of the law and of this Code of Conduct. Types of fraud and theft include but are not limited to:

- Falsifying contractual issues such as receipts, charges, quantities, quality, etc.;
- Falsifying qualifications and experience;
- Misappropriation of funds;
- Deliberate misinterpretation of information;
- Unauthorized use of contractor manpower, vehicles and equipment; and
- Misuse of budget funding, including petty cash, vouchers etc.

You should seek advice from your supervisor or the Compliance Officer before entering into an activity that



could be construed as fraud or theft

E- Confidentiality

E-1 Information and Knowledge Management

We are very much aware of the need to control the flow of data, information and knowledge from within KPC and to protect and maintain the knowledge that currently resides here. Deliberate misuse by you of KPC's knowledge for personal gain or for the benefit of a competitor is a serious breach of your contract and shall be subject to disciplinary action. Accordingly, when sharing information with those outside KPC, it is imperative that you obtain prior authorization to do so from your supervisor or the General Counsel.

E-2 Requests for Employee Information

In order to insure the accuracy and objectivity of information concerning current or former employees, you are required to refer any calls or written requests to release information about other employees, such as personnel, medical and other records, to the Personnel Department. Any employee who examines or releases information about a current or former employee without specific authorization will be subject to disciplinary action.

E-3 Representing or Speaking on

Behalf of KPC KPC's interest is to develop a positive relationship with members of the media, government



officials, community leaders and business partners. All public relations activities and contact with the media and senior government officials must be handled only by or with the approval of the responsible Managing Director. You must be careful to distinguish between speaking personally and in an official capacity on behalf of KPC. If you do not have explicit authority to make statements to the media and you receive enquiries from a media representative, you must make no comment other than to refer the media representative to the Media Relations Department.

Any statements or press releases must be cleared in advance by the Media Relations Department if they involve KPC's business.

E-4 Information Technology – Privacy, Security and Copyrights

We use modern information technology systems to facilitate our work. In giving employees and authorized contractors access to this technology, we also expect personnel to be responsible in its use. You must be careful not to be involved in unauthorized actions such as:

- Accessing or attempting to access data, files or directories of others on their PCs or directories;
- Violating KPC computer users' policies;
- Tampering with software or hardware;
- Illegal copying of copyrighted software;



- Illegal photocopying of copyrighted documents;
- Releasing of confidential data or sharing of confidential information with others;
- Attempting to intrude or hack into KPC's computers or PCs; and
- Unauthorized use or disclosure of user ID's and passwords.

You should be aware that KPC may monitor computer use, including email, to verify compliance with its computer users' policies. Any violations will be subject to disciplinary action.

E-5 Confidential Information

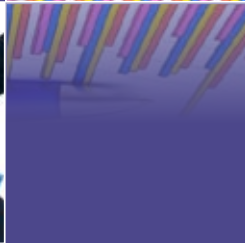
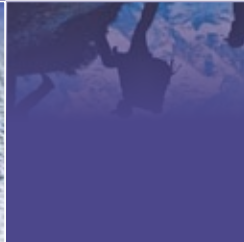
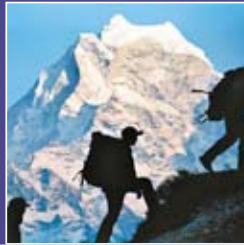
Many of our employees have been placed in positions of trust or confidence because of the work they perform and therefore are exposed to or have access to KPC funds, employee payroll data, personnel records, employee billing records, vendor and service contracts, operational data, license agreement, computerized information, financial information and other types of sensitive information that is considered confidential or personal in nature.

Whether you are a current or former employee, you are reminded of the covenants of confidentiality in your employment contract and that revealing any type of confidential or sensitive information to unauthorized persons or tampering with or altering KPC records and/or property is a violation of that trust and may result



in disciplinary or legal action, including termination of employment. If you have any questions or doubts about what is considered confidential information or may constitute a violation of trust, you are urged to seek advice from the Compliance Officer. Former employees shall not release any information without prior written approval from KPC

Risk & performance Management



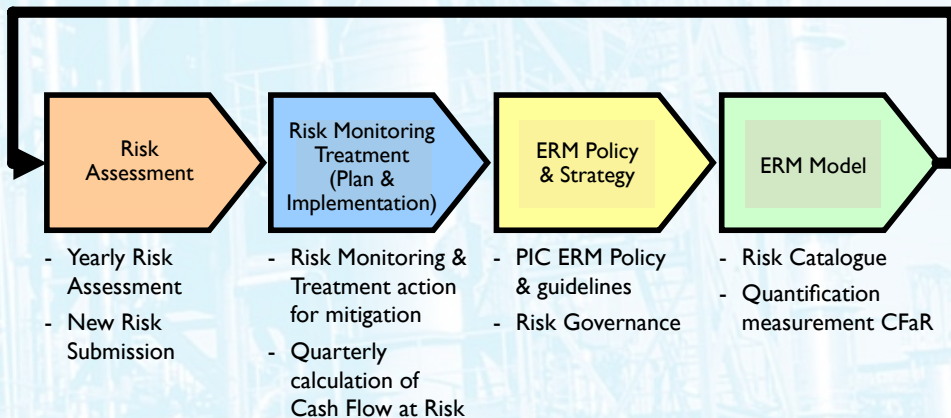


FIFTH: RISK & PERFORMANCE MANAGEMENT

Enterprise Risk Management (ERM) is the systematic approach to identifying, categorizing, quantifying and pro-actively dealing with all risks in an organization in order to protect and enhance value.

A- How Enterprise Risk Management is affecting the company and its business

The key pillar of the ERM system adopted by PIC is that risk is managed as a whole (portfolio).



B-Risk Assessment

- PIC conducts yearly risk assessment to update the current information of the risks such as impact & likelihood.
- The Key group risks & outcome of the risk assessment is communicated with the concerned parties.



- Submitting new risk process is a continuous & live process and opens for every employee & contractor in PIC.

C- Risk Monitoring & Treatment

ERMD and Departments constantly cooperate to measure, aggregate, communicate and treat risks, using the techniques described in the ERM Policy and the procedures documented in the Monitoring and Treatment plan. PIC maintains a record of all risk measurement results, of all treatment actions taken, and of the actual (positive or negative) events affecting PIC objectives.

D- ERM Policy & Guidelines:

- PIC ERM Policy and guidelines have been approved by PIC Board of Directors on 26th March 2007 and communicated to KPC and its subsidiaries and PIC Joint Ventures.
- The policy is comprehensive and covers the following.
 - **Risk Appetite: Risk Appetite is one's willingness to accept risks in pursuit of value; it depends on one's strategic objectives and on their relative priority." Ability to take risks" depends on one's wealth and constraints.**
 - **Risk Categories & Subcategories as explained in the ERM Model.**



Market Risk: Market risk is the risk arising from unexpected changes in market variables (remember that a risk is essentially any deviation from the expected scenario).

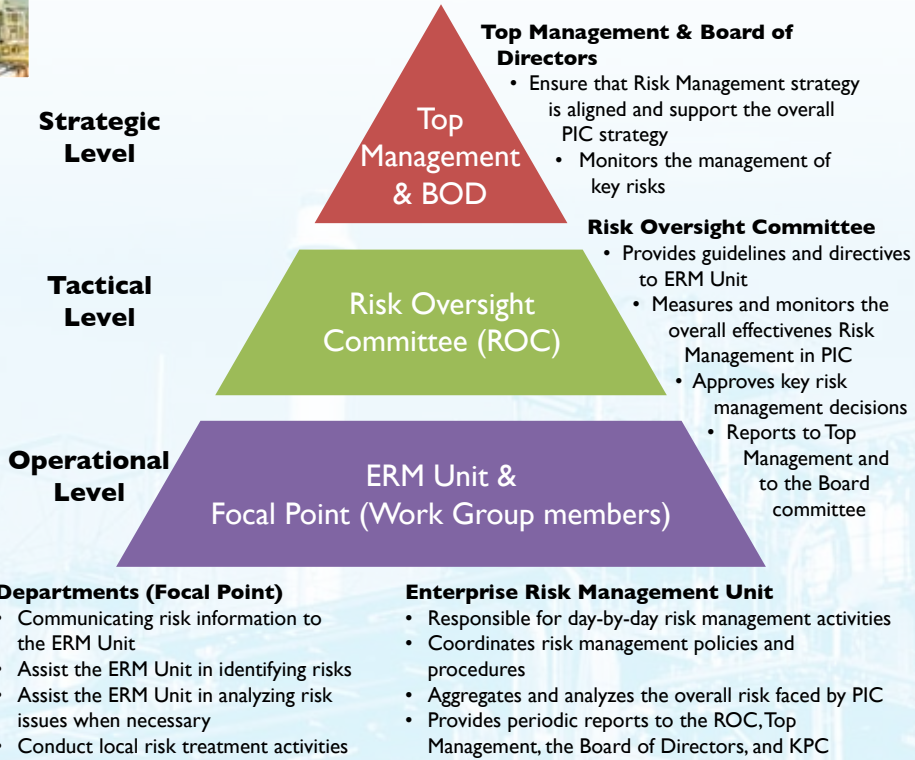
Credit Risk: It is the risk which arises from the inability of counterparty to meet a payment or delivery commitment.

Business Risk: Business risk is the risk which arises from unexpected changes in business environment.

Operational Risk: Operational risk is the risk arising from inadequate physical infrastructure (asset failure), risk control or risk infrastructure (process failure).

E-Risk Governance

- The risk governance model or control of ERM in PIC includes the following:
- Top Management and Boards of Directors is responsible for Strategic Risk Governance
- Risk Oversight Committee is responsible for Tactical Risk Governance
- ERM Unit & Workgroup Members are responsible for Day-to-day Risk Management Activities



Disclosure & Transparency



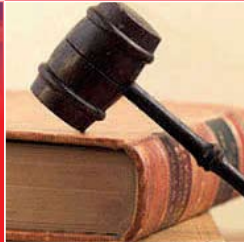


SIXTH: DISCLOSURE & TRANSPARENCY

Disclosure and transparency are the partners of good governance. They demonstrate the quality and reliability of information -- financial and non-financial-- provided by management to shareholders, as follow:

- 1- The material information and issues – information such as social, environmental, occupational health and safety and other policies whose omission or misstatement could influence and affect employees, users, clients; and other stakeholders. The same to be done in a periodically manner.
- 2- The company's financial and operating results to be provided in an objective assurance that the financial statements have been properly prepared and presented.
- 3- Related Party transactions cost of capital and product-market competition.
- 4- Foreseeable risk factors.

Appendix





Appendix I

NO	YEAR	THE NAME OF THE LAW	
52	1999	تعديل بعض أحكام قانون الشركات التجارية الصادر بقانون رقم 15 لسنة 1960	AMENDMENT ON SOME ARTICLES OF THE LAW NO. 15 FOR THE YEAR 1960 PROMULGATING THE COMMERCIAL COMPANIES LAW
3	1959	قانون غرفة تجارة وصناعة الكويت	KUWAIT CHAMBER OF COMMERCE LAW 1959
15	1960	قانون الشركات التجارية الكويتي	LAW NO. 15 FOR THE YEAR 1960 PROMULGATING THE COMMERCIAL COMPANIES LAW
4	1962	قانون بشأن براءات الاختراع والرسوم والنماذج الصناعية	LAW NO. 4 FOR THE YEAR 1962 WITH REGARD TO PATENTS, INDUSTRIAL DRAWINGS, DESIGNS AND INTEGRATED CIRCLES
43	1964	قانون الاستيراد	LAW NO.43/1964 A.D. IMPORTATION
37	1964	قانون المناقصات العامة وتعديلاته	LAW NO.37 FOR THE YEAR 1964 IN RESPECT OF PUBLIC TENDERS & ITS AMENDMENT
12	1964	قانون بشأن منع تلوث المياه الصالحة للملاحة بالزيت	LAW NO.12 FOR THE YEAR 1964 ON PREVENTING POLLUTION WITH OIL NAVIGABLE WATER
30	1964	قانون بإنشاء ديوان المحاسبة	LAW NO.30 FOR THE YEAR 1964 REGARDING THE ESTABLISHMENT OF AUDIT BUREAU
67	1980	مرسوم بقانون بإصدار القانون المدني	DECREE - LAW NO.67/1980 PROMULGATING THE CIVIL LAW



68	1980	مرسوم بقانون بإصدار قانون التجارة	DECREE BY LAW NO.68/1980 PROMULGATING THE COMMERCIAL LAW
28	1980	مرسوم بقانون بإصدار قانون التجارة البحرية	DECREE BY LAW NO. 28 FOR THE YEAR 1980 PROMULGATING MARINE TRADE LAW
44	1993	قانون بشأن الشركات التي يشترك في ملكيتها كويتيين وغير كويتيين	LAW NO. 44 FOR THE YEAR 1993 CONCERNING COMPANIES JOINTLY OWNED BY KUWAITIS AND NON KUWAITIS
21	1995	قانون بإنشاء الهيئة العامّة للبيئة	LAW NO. 21 FOR THE YEAR 1995 WITH REGARD TO THE ESTABLISHMENT OF PUBLIC AUTHORITY FOR THE ENVIRONMENT.
11	1995	قانون التحكيم القضائي في المواد المدنية والتجارية	LAW NO. 11/1995 A.D CONCERNING JUDICIAL IN THE CIVIL AND COMMERCIAL MATTERS
56	1996	قانون الصناعة	LAW NO 56 OF 1996 IN RESPECT OF THE PROMULGATION OF INDUSTRY LAW
25	1996	قانون بشأن الكشف عن العمولات	LAW NO 25 FOR THE YEAR 1996 CONCERNING THE DETECTION OF OFFERED COMMISSIONS IN THE CONTRACT CONCLUDED BY THE STATE
64	1999	قانون بشأن حقوق الملكية الفكرية	LAW NO-64-FOR THE YEAR 1999 IN RESPECT OF THE PROTECTION OF THE INTELLECTUAL OWNER SHIP
8	2001	قانون بشأن تنظيم الاستثمار المباشر لرأس المال الأجنبي في دولة الكويت	LAW NO.8 FOR THE YEAR 2001 REGARDING THE ORGANIZATION OF FOREIGN CAPITAL DIRECT INVESTMENT IN THE STATE OF KUWAIT.



10	2003	قانون رقم 10 لسنة 2003 بشأن إصدار قانون الجمارك الموحد	LAW NO. 10 FOR YEAR 2003 REGARDING THE INSURANCE OF THE UNIFORM CUSTOMS LAW FOR THE COUNTRIES OF THE COOPERATION COUNCIL FOR THE ARAB GULF COUNTRIES
3	1955	مرسوم بقانون بإصدار قانون ضريبة الدخل	DECREE NO.3 FOR THE YEAR 1955 REGARDING THE KUWAITI INCOME TAX
24	1961	قانون شركات ووكلاء التأمين	LAW NO.24 FOR THE YEAR 1961 CONCERNING INSURANCE COMPANIES AND AGENTS
6	2010	قانون العمل في القطاع الأهلي	LAW NO.6 FOR THE YEAR 2010 CONCERNING LABOUR IN THE PRIVATE SECTOR
28	1969	قانون العمل في قطاع الأعمال النفطية	LAW NO.28 FOR THE YEAR 1969 CONCERNING LABOUR IN OIL BUSINESS SECTOR
61	1976	قانون التأمينات الاجتماعية	AMERI ORDINANCE OF LAW NO.61 FOR THE YEAR 1976 REGARDING THE ISSURANCE OF THE SOCIAL INSURANCE LAW
15	1979	مرسوم بقانون بشأن الخدمة المدنية	DECREE LAW NO.15 FOR THE YEAR 1979 REGARDING THE CIVIL SERVICE
19	2000	قانون دعم العمالة الوطنية	LAW NO. 19 FOR THE YEAR 2000 IN REGARD OF SUPPORTING NATIONAL MANPOWER AND ENCOURAGING THEM TO WORK IN THE NON-GOVERNMENTAL ENTITIES.



Appendix 2

Standards of PIC's effective management system:

ISO 9001	Quality	Certified
ISO 14001	Environment	Certified
OHSAS 18001	Occupational Health & Safety Policy	Certified
ISO 27001	IT	Certified
ISO 17020	Inspection section	Under Implementation

