

**Section One**

**Rules of Preparing & Discussing The Budget**

**Chapter One**

**Defining The Budget**

**Article (1)**

The forecasted budget of the Corporation shall be prepared using the same style of the commercial budget and in accordance with the latest accounting standards that are usually applied in the air-transport industry and those industries related to it, in a manner that guarantees for the Corporation practicing its activity with maximum degree of efficiency and flexibility.

**Article (2)**

The law as well as the financial and regulatory directives shall determine the beginning and ending of the fiscal year.

**Article (3)**

The revenue and expense items of the Corporation's budget shall be divided into main sections as well as items as per the requirements as well as the work nature, provided they do not contradict with the decrees of the Ministry of Finance.

The Chairman - Managing Director shall issue an order regarding designating the sections upon which both revenues and expenses will be divided, as well as the items each will incorporate.

**Chapter Two**  
**Rules of Forecasting Revenues And Expenses**

**Article (4)**

The Finance Department shall issue details of the types to be included in the items and sections for both revenues and expenses, and will ask the competent departments to report the forecasts of each department for those types and to attach therewith all the notes supporting these forecasts as well as the bases on which they were established, together with comparisons thereof with the forecasts of the current fiscal year and stating the reasons for the differences, if any.

**Article (5)**

The budget forecasts shall be prepared according to the operation plan, where these forecasts must reflect the outcome of this plan while taking into consideration all the latest situations expected to accompany the execution of this plan.

**Article (6)**

The Chairman - Managing Director shall issue an order stipulating the formulation of the Budget Committee.

**Article (7)**

The Director of Finance Department shall issue the circulars that regulate the manner of preparing the budget's forecasts as well as the procedures and deadlines to be followed for discussing the budget plan.

### **Article (8)**

When estimating its needs for expense types and items, each department shall observe not to suggest setting up new jobs unless they are to face new functions or to expand in the existing functions. Besides, it must observe the contractual obligations it is bearing being either continuous or emerging due to implementing the budget plan.

### **Article (9)**

The Finance Department shall assume the task of reviewing the extent the departments of the Corporation are adhering to the directives of preparing the forecasted budget, and shall discuss with the respective departments the forecasts that are inconsistent with these directives or with the operation plan prior to submitting the same to the Budget Committee.

### **Article (10)**

The Finance Department shall prepare the final forecasts for the budget project in its closing format in accordance with the discussions and resolutions of the Budget Committee, and shall prepare the explanatory memorandum then submits the same to the Chairman - Managing Director for endorsement.

**Chapter Three**  
**Phases of Preparing The Budget Project**

**Article (11)**

The Finance Department shall redistribute the final forecasts to the departments after being approved by the Budget Committee, with the aim to prepare the monthly and quarterly distributions for these forecasts, provided that these distributions are consistent with the facts of the operation plan as well as the expected circumstances.

The budget forecasts approved by the Budget Committee and prepared by the departments shall be deemed as final forecasts and may not be exceeded by the department unless upon justifications and sudden occurrences.

**Article (12)**

The Chairman - Managing Director shall submit the budget project to the Board of Directors for discussion and approval in preparation for sanctioning the same by the Minister of Transportation, in accordance with the time schedule specified thereto, and thereafter referring the same to the Ministry of Finance for final decision.

**Article (13)**

In junction with preparing its own forecasted budget project, each department shall prepare a suggestion for a capital budget that incorporates the needs of its capital expenditure necessary to conclude the operation plan and the work requirements, provided that such suggestions are consistent with the Corporation's cash-flow plan.

#### **Article (14)**

The suggestions of the departments for the capital budget must include the new projects, its total costs, justifications for its founding, and the execution plans thereto, this in addition to showing the projects under execution and its amended costs, if any, as well as the justifications for this amendment and the value of the parts already executed.

#### **Article (15)**

The Finance Department shall present the suggestions of the departments on the capital budget together with the details stated therein as well as the financial remarks thereon, if any, to the Budget Committee for approval, this in conjunction with the forecasted budget.

### **Section Two**

#### **Revenues**

#### **Chapter One**

### **Revenues from Operations**

#### **Article (16)**

The Corporation's revenues of all sources shall be deposited daily in special accounts with domestic or international banks to be selected by the Director of Finance Department.

#### **Article (17)**

The Director of Finance Department shall have the authority to invest the liquid funds of the Corporation in profit generating commercial businesses in a manner not conflicting with the purposes of the Corporation. He shall also submit to the Chairman/ Managing Director a report about the results attained by the Corporation in this respect.

### **Article (18)**

The director of Finance Department shall set up the rules pertaining to the registers, statements and documents to be kept so as to control revenues of the Corporation. He shall further issue the instructions he deems appropriate for the executing the same.

### **Chapter Two**

#### **Lending And Borrowing**

### **Article (19)**

Lending and borrowing shall be allowed following the consent of the Ministers Council, according to the following:

- 1- Lending to companies which the Corporation takes part in its incorporation or in which it contributes to the capital as well as guaranteeing its loans vis à vis third parties.
- 2- Borrowing from the Government or the financial institutions affiliated to it, concluding loans contracts, and issuing bonds in the domestic and international markets.

### **Chapter Three**

#### **Rules of Revenue Collection**

### **Article (20)**

The Director of Finance Department shall issue a resolution concerning the rules of revenue collection.

**Section Three**  
**Expenses**  
**Chapter One**  
**Rules of Disbursement on Budget Items**

**Article (21)**

If a law determining the Corporation's budget assessment is not issued prior to the beginning of the fiscal year, then the endorsements of the previous budget or the forecasts of the new budget project, whichever is less, shall be applied until the issuance of such law.

**Article (22)**

The Finance Department shall open registers that conform to the budget's items.

**Article (23)**

All disbursements toward the budget account of the various departments shall be made according to the rules and resolutions regulated by the present regulation, and the expenditures on the endorsements allotted for each department shall be recorded in the budget.

**Article (24)**

Determining the number of positions in each department shall be upon a resolution by the Director General at the time of issuing the budget, and the number of employees in any department may not exceed the number of positions designated for the department.

### **Article (25)**

As an exclusion from the provisions of the foregoing article, the Chairman/ Managing Director may modify the number of positions in any department if the endorsements for the expenditure items permit so, provided that this must be restricted to the absolute minimum.

### **Article (26)**

A disbursement under one of the endorsed expense item may not be exceeded unless counterbalanced by a saving in the endorsement of another item, and only after obtaining a prior permission on the same from the Chairman/ Managing Director.

### **Article (27)**

A contract entailing a financial obligation that will be carried forward from the fiscal year to the following year may not be concluded. Nonetheless, it is permitted to conclude service, lease, maintenance, supply, and capital expenditure contracts for more than one year, provided that such contracts do not entail an increase in the budget allocations during the coming years and further provided that the period of the contract does not exceed three years. If the period of the contract exceeded three years then a prior permission must be obtained from the Chairman/ Managing Director and also obtaining the approval of the Minister of Finance thereon.

### **Article (28)**

The Director of Finance Department shall set up the instructions pertaining to accounting registers and documents to be kept in each Department for organizing the expenses and for tight application of financial control.

**Chapter Two**  
**Contracting Powers and Procedures**

**Article (29)**

The Chairman/Managing Director shall issue the resolutions necessary concerning the contracting powers and procedures.

**Article (30)**

All contracts shall prior to its conclusion must be presented to the director of Finance Department and the Director of Legal Department for approval, each in his own jurisdiction.

**Article (31)**

The Chairman/ Managing Director shall issue a resolution concerning the formation of the Permanent Tenders Committee, and shall outline its powers and specializations.

**Chapter Three**  
**Powers and Procedures for Issuing Disbursement Orders**

**Article (32)**

The financial obligations of the Corporation shall be paid by checks, Bank Transfers or in cash.

**Article (33)**

The Chairman/ Managing Director shall be exclusively authorized to sign the checks and bank transfers. In case of his absence, the Director General shall replace him in the said authority.

#### **Article (34)**

The Director of Finance Department shall issue the required resolutions concerning the powers to issue cash and non-cash disbursement orders.

#### **Article (35)**

The Director of Finance Department shall outline the rules pertinent to accounting registers, statements and documents to be kept to control the expenses, and shall issue the instructions to implement the same.

### **Section Four**

#### **Depreciations, Disposing of & Write off of Assets and Debts**

##### **Chapter One** **Depreciation**

#### **Article (36)**

The Board of Directors shall issue the decisions necessary for regulating the rules and methods of asset depreciation at the Corporation .

##### **Chapter Two** **Dispensing with Assets**

#### **Article (37)**

The Board of Directors shall issue the decisions necessary for regulating the rules of disposing of the assets at the Corporation .

**Chapter Three**  
**Debts & Its Write off**

**Article (38)**

The Chairman/ Managing Director shall outline the rules for credit dealings with the governmental bodies, public authorities, individuals, and companies.

**Article (39)**

The Corporation attempts to collect its non-collectable debts amicably or through all legal methods following the approval of the Chairman/ Managing Director.

**Article (40)**

The Chairman/ Managing Director shall outline the rules for writing off the non-collectable amounting to a limit of one hundred Kuwaiti Dinars or its equivalent, but whatever exceeds that amount shall be handled according to the approval of the Board of Directors.

A report shall be submitted to the Board of Directors every six months showing all the amounts determined to be written off due to inability to collect them.

**Section Five**  
**Financial Control**  
**Chapter One**  
**Audit Bureau Control**

**Article (41)**

The Corporation shall comply with the provisions of the Law pertaining to the establishment of the Audit Bureau and the amendments thereof.

**Chapter Two**  
**Chartered Accountant**

**Article (42)**

The Board of Directors shall, upon recommendation from the Chairman - Managing Director, appoint a chartered accountant to audit the Corporation's accounts, and shall also determine its remuneration as well as its contracting period.

**Chapter Three**  
**Internal Audit**

**Article (43)**

The Chairman/ Managing Director shall determine the powers of the Audit Department as well as the scope of its previous and subsequent control, and such Department will report to him directly.

**Section Six**  
**Regular Records and Reports**  
**& the Final Accounts**

**Article (44)**

It must be observed, as much as possible, that the accounting registers and principles applied at the Corporation are in conformity with the latest internationally accepted practices in the field of Commercial Aviation.

**Article (45)**

The Finance Department shall, at the end of each month, prepare a trial balance together with a report on the financial conditions.

#### **Article (46)**

The Finance Department shall prepare a quarterly report on the work progress and also the improvement in the financial position of the Corporation .

#### **Article (47)**

The Finance Department shall prepare at the end of each fiscal year the final account for the Corporation showing the total revenues and expenses within each item of the balance sheet, together with notes about the reasons for the increase or decrease in the forecasts, and shall submit the same to the Chairman/ Managing Director during a maximum period of three months from the end of the fiscal year.

#### **Article (48)**

The Finance Department shall prepare a Balance Sheet at the end of the each fiscal year.

#### **Article (49)**

Following endorsement of the final account by the Legislative Authority and publishing the same in Official Gazette, the Corporation's profits shall be transferred to the Government, or it shall be indemnified by the Government for the losses, if any.

### **Section Seven** **Warehouses & Sores**

#### **Article (50)**

The Director General shall issue the resolutions necessary for regulating the warehouses and stores at the Corporation .

**Section Eight**  
**Concluding Provisions**

**Article (51)**

The total forecasted expenses listed in the budget may not exceeded unless through a Law.

**Article (52)**

The Chairman/ Managing Director may delegate some of his powers stipulated in this regulation to the Director General. Furthermore, the Chairman/ Managing Director and the Director General may delegate some of their powers to the Department Directors or any other administrative levels, as per the circumstances.

**Article (53)**

Upon the recommendation of the Chairman - Managing Director, the Board of Directors may amend or annul any of the articles in this Regulation, and also may add any article to it if the work interest so required.

The Board of Director's resolutions regarding amending the Regulation are not considered valid unless approved by the Minister of Transportation.

**Article (54)**

The Financial Regulation issued on 12/1/1980AD. shall be canceled and also any provision in contradiction with the provisions of this regulation.

The financial resolutions and directives applicable at the time this regulation came into effect shall remain valid for one year or until other resolutions are issued, whichever is earlier.

**Article (55)**

This Regulation shall become operational effective from the date of its issuance.

**Minister of Finance & Minister of Planning**

Issued on: **1/4/1982**

**Law No. ( 6 ) of Year 2008**  
**Concerning Transforming Kuwait Airways Corporation**  
**Into A Shareholding Company**

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**Following perusal of:**

- The Constitution,
- Law No. (15) of year 1960 concerning issuance of the Commercial Companies Law and its amending laws,
- Law No. (30) of year 1964 concerning the Audit Bureau and its amending laws,
- Law No. (37) of year 1964 concerning Public Tenders Law and its amending laws,
- Law No. (21) of year 1965 regarding the Articles of Association of **Kuwait Airways Corporation** and its amending laws,
- Law No. (106) of year 1976 concerning the Future Generations Reserve Fund,
- Amiri Decree in respect of Law No. (61) of year 1976 concerning the issuance of the Social Security Law and its amending laws,
- Law No. (66) of year 1998 concerning canceling the texts that exclude some public authorities and institutions from being subject to the control of the Audit Bureau or to the Public Tenders Law, and
- Law No. (19) of year 2000 concerning Supporting National Workforce and encouraging it to work at the non-governmental bodies, and its amending laws,
- The National Assembly has approved the law which text is stated here below, and we have endorsed and issued it:

## **First Article**

Independent specialized consultancy firms of international expertise, at least two, to be selected by the Council of Ministers shall assume evaluating all the financial and in kind assets as well as all the liabilities of **Kuwait Airways Corporation** and its affiliated companies. The Executive Bylaw of this law shall regulate the procedures to be followed by said firms in carrying out their works, provided that they complete their task at a date to be determined in the contracts concluded therewith.

The evaluation shall be approved by the Council of Ministers after being presented to the Audit Bureau.

The Council of Ministers shall commission a governmental body to carry out the transformation of the Corporation into a shareholding company in accordance with the provisions of Article Three of this Law.

The Council of Ministers shall announce the final establishment of the Company during a maximum period of two years from the date this law comes into force.

## **Second Article**

During the two-year period stipulated in the previous Article, it is not permitted to effect waiver or assignment of any privilege or right recognized for the Corporation. The Company after being established shall preserve these rights and privileges, and shall be solely entitled to dispose of same. Furthermore, it is not permitted, during said period, to grant any privilege or right to a competing company that may affect the financial or in kind privileges and assets of the Corporation.

### **Third Article**

The Government shall establish a Kuwaiti shareholding company in the name of **Kuwait Airway Company** (K.S.C.) to which all financial and in kind assets and all liabilities of **Kuwait Airways Corporation** shall devolve to after being evaluated and after that evaluation is endorsed by the Council of Ministers in accordance with the provisions of Article One herein, and the new company shall replace **Kuwait Airways Corporation** in carrying out its purposes and towards all its entitled rights and incurred liabilities.

The capital of the new company shall be determined in light of the evaluation results, and shall be divided up into shares to determine the fair price per share. Such shares of the Company shall be allotted as per Article Four of this law.

### **Fourth Article**

The new Company's shares shall be allocated as follows:

- A- Thirty five percent (35%) shall be offered by the Government body named by the Council of Ministers for sale in a public auction amongst the shareholding companies listed on Kuwait Stock Exchange as well as the specialized foreign companies, while excluding the Kuwaiti Airlines companies that are existing at the time of said auction where they shall not be allowed to participate whether directly or indirectly in the said auction. The auction shall be awarded to the company offering the highest price for the share over and above its nominal value plus the establishment expenses and the issuance premium, if any.
- B- Twenty percent (20%) shall be allocated to Governmental bodies named by the Council of Ministers. A governmental body may waive this percentage or part thereof by offering it for sale through public auction in accordance with the provisions of Item (A) of this article.

- C- Five percent (5%), to be distributed equally, shall be offered for underwriting by the Kuwaiti workers transferred from the Corporation to the new Company who desire to underwrite to upon the preferential conditions set out by the Council of Ministers. The underwriting worker may not sell the shares to which he underwrote within the percentage defined according to this Item unless three years have elapsed from the date of underwriting, and unless he/she had paid the value of the shares in full. The outstanding shares the workers did not underwrite to shall be offered for public placement according to the provisions of Item (D) of this article.
- D- Forty percent (40%) shall be offered as public placement to the Kuwaiti nationals and to be allocated to each of them as per the number they subscribed to. If the number of subscribed shares exceeded the number of the offered shares then all the offered shares shall be allotted equally amongst all the subscribers. However, if the subscription did not cover all the offered shares, the shares not subscribed to shall be offered in a public auction as per the provisions of Item (A) of this article.

The proceeds of selling all the shares shall be transferred on the basis of Fifty percent (50%) to the State's General Reserve and Fifty percent (50%) to the Future Generations Reserve Fund.

### **Fifth Article**

The Kuwaiti workers at **Kuwait Airways Corporation** who desire to work at the new Company stipulated in Article Three herein shall be transferred to it. The Company shall undertake to preserve the following privileges for them:

- 1- His contract period shall not be less than five years as of the date of transformation, unless he desires a shorter period.
- 2- He shall receive during this period at least the same salary and financial and in kind benefits he used to receive at the Corporation.

- 3- If the new Company desires to employ him after the elapse of the said five years, his salary and financial and in kind benefits he received shall not be changed.  
The Council of Ministers shall set up the rules and procedures that guarantee the receipt of said benefits. Any agreement between the worker and the Company in violation of Items (1, 2, and 3) of this Article shall be considered void unless such agreement provides for greater benefits to the worker.
- 4- Increasing the social security entitlements of the worker be equal to adding a period of three years. This period shall not be included in calculating the retirement bonus provided for in the Second Clause of Article (25) of the Social Security Law. The Public Treasury shall bear the financial burden resulting from applying the provision of this Item.
- 5- The social security entitlements shall be calculated on the basis of the last salary the worker had received from the Corporation, on the basis of his average salary during the last three years of his service, or on the basis provided for in the Social Security Law, whichever is greater.

### **Sixth Article**

- 1- The Kuwaitis working at the Corporation and do not desire to be transferred to the new Company when established, and also do not meet the retirement conditions, the State shall secure appropriate jobs for them in the government sector and shall set up training programs to qualify them for the new jobs, provided their salaries and benefits will not be less than those they use to receive at the Corporation.
- 2- The Kuwaitis working at the Corporation who do not desire to be transferred to the new Company when established nor to the government sector and are entitled for retirement fund, they shall be granted an end of service bonus equal to the gross salary for three years on the basis of the last salary they used to receive at the Corporation.

- 3- The social security entitlements of the worker who does not desire to be transferred to the new Company or to the government sector shall be increased equal to adding a period of five years or whatever completes the period required for eligibility to retirement fund, whichever is less. The Public Treasury shall bear the financial burdens resulting from applying the provisions of this Item.

### **Seventh Article**

Without prejudice to the provisions of Ninth Article of Law No. (19) of year 2000 referred to as well as the Decisions issued in implementation of same, the Council of Ministers shall determine the minimum percentage for the Kuwaiti workers in the new Company, provided it shall not be less than the percentage used to be at the Corporation as of the date this Law becomes operational. The Council of Ministers shall set out the preferential conditions and procedures necessary for implementing this obligation.

The Council of Ministers shall issue the appropriate Decrees to ensure that the other Kuwaiti airlines companies comply with the national workers percentage provided for in the previous Clause within Seven years from the date this Law shall entering into force.

The Council of Ministers shall set out the rules under which companies operating in this field shall be obligated to provide the training necessary for Kuwaiti nationals to preserve the percentage thereof working in the rare specialties and specialized technical jobs as defined by the Council of Ministers.

### **Eighth Article**

The workers of companies affiliated to **Kuwait Airways Corporation** shall be allowed, if they desire to leave service at the Company during the transformation period, to chose between the benefits determined for them according to the regulations applied to them and the benefits

granted to the staff of the Corporation in accordance with the previous Articles.

### **Ninth Article**

The Council of Ministers shall issue the Executive Bylaw of this law within (90) days from the date of publishing same in the official gazette.

### **Tenth Article**

Law No. (21) of year 1965 concerning the Articles of Association of **Kuwait Airways Corporation** referred to above shall be cancelled as of the date of Kuwait Airways Company (K.S.C) commences its activities, after the concluding the procedures of its establishment.

**Kuwait Airways Corporation** shall continue performing its business activities until that date.

### **Eleventh Article**

As an exception to the provisions of Law No. (66) of year 1998 referred to above, the Corporation shall be exempted from the prior control of the Audit Bureau and from the provisions of the Public Tenders Law until the date of concluding the procedures of its transformation into a shareholding company or until 31/12/2009, whichever comes first, provided the Board of Directors shall set up a tenders committee and sets out the conditions and procedures thereto which are required to launch any tender as well as the method of approving and following up the procedures thereof.

## **Twelfth Article**

The Council of Ministers and the Ministers, each in his respective jurisdiction, must implement this Law.

**Amir of Kuwait**

*Sabah Al-Ahmad Al-Jaber Al-Sabah*

Issued at Seif Palace on: **20<sup>th</sup> Muharam 1429AH.**

Corresponding to: **29<sup>th</sup> January 2008**

**Explanatory Memorandum  
of Law No. (6) of Year 2008 Concerning  
The Transformation of Kuwait Airways Corporation  
Into A Shareholding Company**

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The development the State of Kuwait had witnessed after its independence in the early Sixties mandated the acquisition of **Kuwait Airways** by the State, which was at that time a shareholding company, for the purpose of promoting and developing the air-transport sector as being important and essential to the State's economies, and also to be in harmony with the unique geographical location of Kuwait.

For that purpose, Law No. (21) of year 1965 concerning the Articles of Association of **Kuwait Airways Corporation** was issued as well as its amendments, which had included amongst other things that the Government is obligated to cover the losses of the Corporation, if any.

In light of the developments in the field of air-transport and the increase of regional competition on one side, and due to the Corporation's completion of all its technical and administrative preparations and needs on the other hand, in addition to the changes in the objectives of the economic policy during the current phase and the move towards liberating the economic activity and encouraging the participation of the private sector in realizing the aspired economic development, and then an urgent need has emerged to reconsider the legal status of the Corporation so as to keep abreast with the needs generated by said developments and goals, the matter which mandated the consideration of transforming the Corporation into a public shareholding company to give it sufficient flexibility in management and operation aiming at achieving development and realizing profits on one hand and liberating the State's budget from considerable financial burdens resulting from the protection given to the Corporation on the other hand, while working to provide all

guarantees to preserve public funds and the entitlements of the Corporation's staff during the transformation phase.

To achieve this purpose, the attached law has been prepared concerning transforming **Kuwait Airways Corporation** into a shareholding company.

Article One stipulated that the evaluation process of all the Corporation's assets shall be carried out by an independent consultation firms of international experience in this domain to be selected by the Council of Ministers, provided that the Executive Bylaw of this law shall regulate the procedures and principles by which it shall adhere in performing its businesses and that it shall conclude its task within a period to be defined in the contracts concluded therewith.

The Public Treasury shall bear the financial burdens resulting from the application of this item, in addition to calculating the pension fund on the basis of the last salary received by the worker from the Corporation, on the basis of his average salary during the last three years of service, or on the basis stipulated in the Social Security Law, whichever is greater.

Article Six provided that with regard to the Kuwaiti working at the Corporation who do not desire to be transferred to the new Company, the state shall secure for them suitable employment in the government sector and shall develop training courses for them under the condition that their salaries and benefits shall not be less than those they used to receive at the Corporation. As for those who do not desire to be transferred and are eligible for pension fund, they shall be paid an end of service bonus equal to the gross salary of three years based on the last salary they used to receive at the Corporation.

It also guaranteed the increase of the social security entitlements of the worker who does not desire to be transferred to the new Company or the government sector equal to adding a period of five years or complete the period required for eligibility for the minimum pension fund, whichever is less. The Public Treasury shall bear the financial burdens resulting from the application of the provision of this Item.

As for Article Seven of this Law, it provided that without prejudice to Article Nine of Law No. (19) of year 2000 regarding supporting the national workforce, the Council of Ministers shall determine the minimum of Kuwaiti labor at the new company, provided it shall not be less than that at the Corporation. The Council of Ministers shall also set out the preferential conditions and procedures required to perform this obligation. Said article also stipulated the obligation of other airline companies previously licensed to apply same percentage.

Article Eight provided for extending the benefits determined for the workers of the Corporation to those who will work at the companies affiliated to the Corporation under the same conditions.

Article Nine charged the Council of Ministers with issuing the Executive Bylaw of this Law during Ninety days from the date of publishing same. Article Ten cancelled Law No. (21) of year 1965 as of the date the Company commences its work after concluding its establishment procedures, provided that the Corporation continues performing its businesses until that date.

Article eleven provided that the Corporation shall, during the evaluation phase, be granted the authority to work without prior control by the central control bodies which are the Audit Bureau and the Central Tenders Committee until the completion of the procedures of transforming it into a shareholding company or until 31/12/2009, whichever is earlier, provided that the Board of Directors formulate a tenders committee which shall determine the conditions and procedures required to launch any tenders and the method of approval and follow up of same.

The evaluation shall be approved by the Council of Ministers after being reviewed by the Audit Bureau, and the Council of Ministers shall charge a government body to transform the Corporation into a company, provided that the final establishment of the company shall be announced during two years from the date this law enters into force.

Article Two included the rights of the Corporation and consequently the new company. It prohibited waiver or assignment of any privilege or right granted for the Corporation or its companies such as the airlines or the services granted to it. It provided that these privileges shall pass to the new Company upon its establishment and it shall solely be entitled to dispose of same. It shall be observed that this does not lead to the monopoly of the new Company of the ground services. It also prohibited granting such rights to competing companies by any means whether by sale, leasing, or operating in the name of the Company or any other means.

The law included in its Article Three the establishment of a Kuwaiti shareholding company under the name of Kuwait Airways Company (K.S.C.) to which the assets and liabilities of the Corporation shall devolve and it shall replace the latter in implementing its purposes as well as its rights and liabilities. It is known that such rights include all the properties of the Corporation itself or its affiliates whether owned by it fully or partially.

The Company's capital shall be determined in light of the evaluation, and shall be divided into shares to determine the fair value of the share.

The Law in its Fourth article regulated the elements of the establishment of the Company and the percentages of distributing its shares among the following categories: First category at 35% to be offered in a public auction between the specialized national and foreign shareholding companies excluding already existing Kuwaiti airlines companies which shall not participate in the auction. The Second category at 20% is government bodies. The third category is the Corporation's workers transferred to the Company among whom 5% shall be equally distributed, and shall be granted to them under preferential controls and conditions such as defining a discounted value for the share or flexibility in payment. The Fourth category at 40% shall be offered through public placement to the Kuwaitis.

It also stipulated that the proceeds of selling all the shares shall devolve at 50% to the State's General Reserve and another 50% to the Account of the Future Generations Reserve.

Furthermore, article Five regulated the transfer of the Corporation's Kuwaiti workers desiring to work at the company, under a contract of not less than five years unless the worker desires a lesser period, and provided for the guarantee of the State of all the acquired entitlements of the Kuwaiti worker whether in salaries or financial and in kind entitlements during the period of service of the worker in the Company or the Social Security entitlements upon his leaving work at the Company. It also provided that the Council of Ministers shall set out the rules and procedures that shall ensure the receipt of said entitlements by the worker as a minimum which may increase under an agreement between the worker and the Company providing for more benefits.

Moreover, it guaranteed the increase of the worker's social security entitlements to be equal to adding a period of three years which will not be included in calculating the pension fund provided for in the Second Clause of Article (25) of the Social Security Law.

## **Service Regulation**

- Following perusal of articles 72 & 133 of the Constitution.
- And Law No. 21 of year 1965 concerning the articles of Association of Kuwait Airways Corporation .
- And Law No. 15 of year 1979 concerning the Civil Service.
- And the Decree issued on 4 April 1979 concerning the Articles of Association of the Civil Service.
- And Law No. 116 of year 1992 concerning the administrative organization and determining the specializations and its authorization.
- And the Service Regulation of the Corporation issued on 28/11/1983.
- And the Minister of Finance Decree No. 13/95 concerning the appointment of the Board of Directors for the Corporation .
- And the approval of the Corporation's Board of Directors.
- And upon the endorsement of the Minister of Finance & Minister of Communication pursuant to his letter No. M/5/11-413 dated 14/07/1998.

**IT WAS DECIDED**

**Chapter One**  
**Regulatory Provision**

**Article (1)**

The provision of the present Regulation shall be applicable on all employees. Considered as an employee, for implementation of the present Regulation provision, any person holding any job at the Corporation and his place of work is at the State of Kuwait, even if he is transferred to work at one of the outstations.

The Chairman / Managing Director shall issue an order determining the rules, provisions and forms of the contracts for the different categories of staff .

**Article (2)**

The jobs at the Corporation are either permanent or temporary. The permanent job requires, by its nature, performing permanent work for unlimited duration. The temporary job requires, by its nature, performing temporary work or for a specific purpose. The scope of each job shall contain a specified group of specializations that will be vested in its occupant for realizing the purpose for which it has been created and for realizing the Corporation general interest .

**Article (3)**

The Chairman / Managing Director, upon the approval of the board of Directors, shall issue an order regarding the schedule of job' types, titles, financial scale and periodic increment category for each of the jobs.

The Chairman may restructure the different job levels, where the classification and evaluation thereof are based on the duties and responsibilities thereto by means of classifying them into groups.

The salary for the job shall be determined on the basis of the nature of work as well as the qualifications and experiences required to hold the job, in line with the provisions and conditions stipulated in the present Regulation .

The Director General shall issue an order determining the rules and conditions for holding the jobs.

**Article (4)**

At the end of each fiscal year, The Director General shall issue an order determining the number of jobs and its titles in each department of the Corporation.

**Article (5)**

The Director General shall issue a qualifying system for the Kuwaiti personnel prior to holding jobs at the Corporation. He shall also issue a training system for the staff for upgrading their performance level and for acquiring new skills, provided that both systems contain determination of periods, types and levels of qualifying and training as well as the bonuses and incentives.

**Article (6)**

Holding of jobs shall be through appointment, promotion, transfer, delegation or deputizing in accordance with the rules, provisions and conditions issued through an order by the Director General .

**Article (7)**

The Director General is the authority in charge of the appointment for the various jobs excluding the jobs of Department Directors and the higher ranks, where appointment for such jobs will be upon a resolution by the Board of Directors.

**CHAPTER TWO**  
**Jobs Appointment**  
**And Staff Committee**

**Article (8)**

Any employee to be appointed in any job at the Corporation should satisfy the following conditions :

1. Must be a Kuwaiti citizen, who concluded, exempted, or temporarily excluded the military service or obtained permission for appointment from the Recruitment Section he belongs to. If not available, preference will be given to the citizens of the Arabian Countries .
2. Must not be previously convicted for felony or misdemeanor in violation of honor or trust unless he restored his status in both cases .
3. Must not be terminated from service at the Corporation for retirement purposes.
4. Must not be previously dismissed from any governmental bodies or institutions or public authorities due to a judicial judgment or by disciplinary decision, unless three years at least had elapsed since the issue date thereof.
5. Must be at least eighteen years of age.
6. He must be physically fit according to a decision from competent medical authority .
7. Must possess the scientific and practical qualifications necessary to hold the job .
8. Must satisfactorily pass the necessary exams to hold the job .

**Article (9)**

Staff seniority in the jobs shall be classified as from the appointment date. If more than one employee occupies, at the same date, a job carrying the same title and grade then the seniority among them shall be determined as follows:

1. If the appointment involved promotion, seniority shall be considered on the basis of the earlier appointment in the Corporation .

2. If appointment was for the first time, seniority shall be considered on the basis of the final ranking in the exams results. If the candidates for the job were among the Corporation's staff, seniority shall be determined among them according to earlier appointment.
3. As for the staff who were appointed without an exam, their seniority shall be classified according to the earlier attainment of education qualification, then graduation ranking, and then who is older in age .

#### **Article (10)**

The appointment decision shall be valid as from the date of receiving the work. If the employee fails to receive his work within one month from the date of notifying him of the appointment decision and did not submit, during this period, an excuse acceptable to the Corporation then the decision issued regarding the appointment shall be considered as null and not existing .

#### **Article (11)**

Save the jobs for which an order by the Director General is issued , the appointee for the first time shall be placed under six months probationary period, during which he may dismissed if it is established that he is unfit, otherwise he will be deemed as fixed and the probationary period will be computed as part of his service period .

The reappointed employee shall be subject to a new probationary period if he did not conclude the probationary period in his previous job, or if the job for which he was reappointed differs substantially from the previous job.

#### **Article (12)**

The status of the employees who attains schooling qualifications higher than those on the basis of which they were appointed, may be amended by holding other jobs compatible with the qualifications they had attained, provided that they satisfy all the conditions prescribed in the job description for such jobs, in accordance with the rules and provisions of the order to be issued by the Director General .

**Article (13)**

The employee whose service has ended, may be reappointed if he satisfies the conditions required to hold the job, in accordance with rules and provisions of the order to be issued by Director General.

**Article (14)**

Upon an order by the Chairman /Managing Director, a staff Committee shall be set up, and will be chaired by the Director General and three members. The Committee shall elect a secretary from among the staff of the Personnel Department. This Committee shall be concerned with the following :

1. Settlement of the grievances submitted by the staff.
2. Examining the assistance applications submitted by the staff .
3. Suggesting the criteria for the promotion to higher jobs.
4. Suggesting the criteria for granting incentive allowances and annual bonuses.
5. Giving opinion on matters referred to it by the Chairman / Managing Director or the Director General .

**Article (15)**

The Staff Committee shall meet upon an invitation from its president or upon request from the Chairman/ Managing Director. The meeting shall be deemed as valid if three members of the Committee, at least, were present.

**Article (16)**

The Staff Committee resolutions shall be issued on the basis of majority vote. In case of equality, the side which have the president shall prevail. Refraining from voting shall be deemed as refusal .

### **CHAPTER THREE**

#### **Evaluation of Employee's Competence**

##### **Article (17)**

The direct superior shall be responsible for evaluating the competence of his subordinates at least once every year. Evaluation must be made using the form prepared for this purpose. The superior who follows the direct superior in responsibility shall endorse these reports before the first of April or the first of October of each year as per the determined date for eligibility of each employee to his / her periodic raise. The employee shall be notified of his/ her evaluation result.

The Director General shall, after taking the opinion of the Staff Committee, issue an order determining the rules, provisions, procedures and forms for the performance evaluation.

##### **Article (18)**

The employee may submit grievance on his performance evaluation to the Staff Committee within fifteen days from the date of notifying him of his evaluation result. The Committee must settle the grievance within one month from the date of submitting the grievance. If the Committee decided to accept the grievance, it may reevaluate the employee's performance, as it deems appropriate after taking the opinion of the Director of the Department to which the employee belongs. The evaluation score shall not be final until the lapse of the grievance period or the settlement thereof .

##### **Article (19)**

The employee whose competence was marked as less than good level shall be deprived of the periodic raise, the special raise or the annual bonus as the case may be . Such deprive will last until he attains an evaluation of not less than good level. If he falls in the subsequent year to attain at least a good level evaluation,

**his matter shall be referred to the Director General for consideration whether to terminate his Service without the need for any notice or warning, or to transfer him to another job along with undertaking the necessary procedures for his rehabilitation to enable him to perform the duties of such job. If such employee attains, thereafter, a third evaluation for less than good level, his service will be ended as from the date the score of such evaluation is considered as final .**

**CHAPTER FOUR**  
**Employee' Increments & Raises**

**Article (20)**

The employee shall be granted an annual regular increment as per the category mentioned in the schedules relevant to these increments. Such increments will be paid first of April or first of October after the lapse of one year from the date of employment or from the date of granting the previous increment . The timing of promotion or amending the job status shall not result in any change in the date of paying these increments, and the regular increment will be incorporated with the employee's basic salary.

**Article (21)**

In case the employee's basic salary reaches the ceiling determined for his grade, he shall be granted the following on the date of the regular increment .

- A. An special increment for the category of the regular increment.
- B. Following exhausting the amount prescribed for the special increment, he shall be granted an annual bonus equivalent to the value of the regular increment multiplied by twelve months.

The special increments or annual bonuses will not be added to the basis salary.

**Article (22)**

The employee may be promoted to higher-grade job, provided that:

1. The job must be vacant.
2. The candidate for the promotion must satisfy the conditions required for holding such job, as indicated in the job description .
3. Must successfully pass the qualifying courses required for the job.

**Article (23)**

The employee shall, at the time of promotion, be entitled for either the difference between his present basic salary and the start-of-scale salary of the grade to which he was promoted, or one regular increment, whichever is greater.

Promotion of the employee will entail ceasing disbursing the increments, bonuses and privileges prescribed for the job from which he was promoted, and shall deserve the increments, bonuses and privileges prescribed for the job he was promoting to.

**Article (24)**

The Director General is the authority in charge of the promotion to the various jobs excluding the jobs of Department Directors and the higher ranks, where appointment for such jobs will be upon a resolution by the Board of Directors following a suggestion from the Chairman / Managing Director.

**CHAPTER FIVE**  
**Transfer, Deputizing, Seconding, And Official Missions**

**Article (25)**

The transfer from one department to another, from the headquarters to an outstation or vice versa, from one station to another, or from the Corporation to another authority or vice versa, shall be upon an order from the Director General.

**Article (26)**

The transfer is conditional upon satisfying the following conditions:

1. The transfer must be to a vacant job, which grade is not less than the job grade from which the employee was transferred.
2. The transferred employee must meet the conditions of holding the job to which he is transferred.

The Director General shall issue an order determining the provisions and rules of transfer among the Corporation's jobs or between the Corporation and the other authorities.

**Article (27)**

Upon an order by the Director General, it is permissible to deputize the employee to temporarily perform the duties of another job, provided it is not of lesser level than his job at the Corporation, or at governmental bodies and the public institutions, public authorities, and the companies in which the government or the Corporation participate, or the Sports authorities and the public charity associations, for a period not exceeding one year, which can be renewed provided that the total renewed period does not exceed five years. Moreover, it is permissible to accept seconding of employees from external authorities to the Corporation.

In all cases, the deputizing may be entirely or partially. The deputizing conditions shall be in accordance with the terms agreed upon between the Corporation and the external authorities.

**Article (28)**

Upon an order by the Director General, it is permissible to second the employees of the Corporation, for a period not exceeding one year, to work at the governmental bodies and the public institutions, public authorities, and the companies in which the government or the Corporation participate, or the Sports authorities and public charity associations, and also the Arab and foreign governments and institutions, and the regional and international organizations, provided obtaining a written approval from the employee thereof.

The seconding period will be incorporated as part of the service period.

The seconding period may be extended for a further period must not exceed three years in total. The Job of the seconded employee may be occupied temporary if the seconding is for a period not less than one year, and without salary. It is also permissible to second employees from those authorities to work at the Corporation.

The Director General shall issue an order determining the provisions and conditions for seconding and accepting seconded persons.

**Article (29)**

The Director General shall issue an order determining the provisions and conditions of commissioning of official missions, and shall specify the disbursements the employees deserve for performing such missions.

**CHAPTER SIX**  
**Work Timings And Leaves**

**Article (30)**

The Work hours and timing shall be determined according the requirements thereof. Employees may be commissioned to perform additional works outside the official work hours if the work interest requires so according to rules and conditions to be issued upon an order by the Director General.

**Article (31)**

The leaves permitted for the employee are :

1. Regular leave.
2. Emergency leave.
3. Sick leave.
4. Special leave with full or reduced pay or without pay.

**Article (32)**

An employee may not take on a regular leave before being notified the approval on the same within the limits of the balance he is entitled to, and he must return to work immediately upon its ending. The Corporation may not postpone, shorten or disrupt the regular leave, unless for reasons obligatory for work interest.

**Article (33)**

The employee is not entitled for regular leave in lieu of the special leave periods not the deputizing periods. The Director General issues an order determining the leave periods and rules and conditions relevant thereof.

**Article (34)**

Delegating employees for study leaves, scientific delegations, scholarship or training courses with full, reduced or without pay, and also with financial allowances and prerequisites issued through an order by the Director General decision.

The Director General shall also issue an order regarding setting up a committee for delegation and study leaves, which will be in charge of deciding on the applications for sending delegations and study leaves.

**CHAPTER SEVEN**

**Employees' Privileges**

**Article (35)**

The employee is entitled for his salary as from the date of assuming his work, which will be paid at the end of each month. Nonetheless, the employee will be paid his salary in advance for the allowable leave period, if he requests so. It is also permissible to disburse his salary in advance for the other leaves.

**Article (36)**

It is not permissible to apply deduction or withholding on the amounts due from the Corporation to the employee regardless of its type, except for settling an alimony debt ordered by the court or settling any amount due for the Corporation or a governmental authority, or recovering amounts disbursed to him unfairly.

The total deductions from the employee's salary may not exceed the half, and priority shall given to alimony debt in the cases of adversary.

**Article (37)**

The employee may not be asked to pay any amounts paid to him unfairly by the Corporation if five years had passed since the payment date, provided that such disbursement was not made as a result of fraud, swindling or concealment of facts. Furthermore, the employee may not claim the financial rights determined for him if five years had passed since the maturity date, unless the employee had submitted a written claim thereof within this period.

**Article (38)**

The Director General shall issue orders determining the provisions and prerequisites for granting the employees the following :

1. **Compensations for overtime works that must be performed outside the official work hours.**
2. **Financial bonuses for outstanding works.**
3. **Financial allowances due to the nature of the job works, attaining an academic qualification, passing a training course, or facing special obligation.**
4. **Subsidies and loans.**
5. **Compensations for expenses incurred by the employee in the course of performing his job duties.**
6. **Allotment of accommodation or granting of housing allowance.**
7. **Financial, in kind or moral incentives and benefits.**
8. **Medical and social services, travel privileges onboard the Corporation's airlines or other airline institutions and companies.**

**CHAPTER EIGHT**

**Employee's Obligations  
And Prohibited Works**

**Article (39)**

The employee must :

1. Obey orders and instructions relating to work.
2. His relationships with his superiors and subordinates must be based on respect and understanding.
3. Carry out the work assigned to him in persons dealing with Corporation appropriately.
4. Treat all the persons dealing with the Corporation appropriately.
5. Preserve the work secrets in general and particularly the works assigned to him.
6. Observe the working hours and not to leave the workplace prior to the end of these hours, and also designates the work period for carrying out his job duties.
7. Execute the instructions issued to him in a precise and honest manner within the limits of the laws and the applicable regulations and rules, and also adheres to the provisions of the laws and regulations.
8. Preserve the Corporation's funds and adheres to disbursing the same according to the requirements of honesty and prudence.
9. Enjoy good conduct and behavior, and acts in congruence with the required respect to the job.
10. Adhere to the directives related to security and safety.
11. Report to the Corporation any change occurring on his social status within one month of the date of the change . Failing to report within this period and consequently received amounts and privileges more than he deserves, will result in retrieving these amounts and without prejudice to being subject to disciplinary questioning.
12. Notify the Corporation of his usual place of residence as well as any changes occurring thereon.

**Article (40)**

The employee is prohibited from:

1. Breaking off the work unless within the limits of the leaves permitted to him.
2. Entering the places where the nature of his work does not require his presence therein.
3. Performing works for third parties regardless if for no remuneration or bonus, and even if outside the official working hours unless through a written permission from the Director General, provided that such works are not of the same in nature to those performed by the Corporation towards realizing its purposes.
4. Releasing any statements in the name of the Corporation or disclose information or details to third parties without a prior written authorization from the Director General.
5. Retaining or giving to third parties, materials or originals or photocopies of any paper from those pertaining to the Corporation's operations without justification thereof, even if it was related to a task he was commissioned to perform in person.
6. Accepting bonus, commission or donation of any type in return for performing the services required by his job, or to trade within the Corporation's premises.
7. Collecting subsidies, affixing announcements, distributing literatures or collecting signatures for whatsoever purpose without an approval from the Director General.
8. Purchasing or leasing, whether personally or through mediators, any real estate or movable properties from the Corporation, or to have any interest personally or through mediators in businesses, contracting tenders or contracts related or the Corporation's operations.
9. Dealing with alcohols or drugs, or coming to the workplace under the effect of such drugs or alcohols.
10. Using this subordinates or workers of the Corporation to perform private services.
11. Place himself under suspicion.

**Article (41)**

Any employee who violates any of these obligations or prohibitions or any stipulation stated in this regulation shall expose himself to disciplinary questioning, he will not be exempted from penalty unless he proves that such violation was according to a written order issued to him by his superior despite his written warning to such violation, and in this case the responsibility shall be solely on the party who issued the order.

**CHAPTER NINE**

**DISCIPLINE**

**Article (42)**

The penalties that may be imposed on the staff are:

1. Warning.
2. Deduction from salary for period not exceeding fifteen days for each time, and not exceeding forty five days during twelve months.
3. Deprivation from the periodic increment.
4. Salary reduction by one quart for three months period.
5. Dropping the job title to the immediate lower title and one grade. The decision entailing such penalty shall determine the employee's salary but for not less than the starting salary scale for the job he was dropped to.
6. Dismissal from Service.

The Department Director may impose the first penalty, while the Director General may impose the first and second penalties, and the Disciplinary Board may impose all the penalty.

In all cases, the issued decision entailing the penalty must contain a reason.

**Article (43)**

The penalties that may be imposed on the Department Directors and the higher posts are:

- A. Warning.
- B. Blame.
- C. Dismissal from Service.

The Chairman/ Managing Director may impose the first and second penalties, while the Board of Directors may impose the penalty of dismissal from Service.

**Article (44)**

The Director General may suspend an employee from his work by way of an order carrying a reason, in the following cases:

- A. If the investigation required so, and suspension shall be for a period not exceeding three months, however, the Disciplinary Board may extend such period further periods but not exceeding three months. The Suspension of an employee from his work shall entail suspending disbursing half of his salary as from the day he was suspended. If he was punished by dismissal, his service shall end as from the date he was suspended, but if he was acquitted, punished by warning or by deduction from salary, or by preserving the investigation, he will be retrieve the amounts suspended from its salary.
- B. If there was reason relating to the public interest, the suspension will be for a period not exceeding two months, and the Chairman/ Managing Director may extend that to further periods.

**Article (45)**

Every employee sentenced to imprisonment by an order from the competent national authorities shall be considered as suspended from work for the period of his imprisonment. Half of his salary will be suspended if imprisonment was provisional or in execution of temporary judicial ruling. These salary amounts will be reimbursed to him if the investigation for which for which he was imprisoned resolved to his non-responsibility, or if the trial acquitted him. He will be deprived of his salary for his imprisonment period in execution of a final ruling.

**Article (46)**

If the employee caused , deliberately or as a result of his gross negligence, a loss or damage of any properties belonging to the Corporation or to third parties and the Corporation sustained compensating the third parties thereto, then it may turn to the employee for the amount it sustained as a result of the damage to its properties or for what it had paid as compensation to third parties.

However, if the loss or damage was a result of minor error or negligence, The Corporation may turn to the employee for all or part of whatever it had sustained.

In all cases, such recourse to the employee will not exempt him the disciplinary liability.

**Article (47)**

The employee must be informed of the penalty decision imposed on him. If he refrained from receiving the decision, it will be sufficient to confirm the same and publish it on the bulletin board at the workplace.

The employee may submit grievance against such decision to the source or to the presidential authority, as the case may be, within (60) days from the date he became aware of that.

**Article (48)**

The promotion of an employee who subject to a penalty may not be considered unless the following period of eradication had elapsed:

1. Three months in the case of a warning.
2. Six months in the case of salary deduction, prevention from periodic increment, or salary decrease.
3. One year in case of lowering the job and grade.

Such periods shall be computed as from the date of imposing the penalty even if it extended beyond another period resulted from a previous penalty.

Eradication of a penalty means removing its effects following the lapse of the determined periods as from the date it was imposed, and shall be deemed as not existed with regard to the future.

**Article (49)**

A disciplinary penalty may not be imposed on an employee unless through a causative decision after hearing his testimonies and investigating his defense. The employee may not be punished for a violation where five years passed since it was committed, unless disciplinary procedures were had been taken against him. Such period shall commence again as from the date of the latest procedure. If there were several violating persons, the interruption of period with regard to one of them will interrupt the period with regard to the others, even if no procedures were taken against them.

Such period shall not become operative if it was established that concealment of the facts was a result of deception or swinging from the employee side.

**Article (50)**

The Director General shall refer the employee to be investigated to the legal Department or to any other authority, if necessary.

**Article (51)**

The investigator shall take up writing the minutes of investigation, and he may seek assistance of a clerk to carry out such task. These minutes of the investigators must sign investigation as well as whoever wrote them down, if any, in addition to the signature of the person whose testimonies were heard. Should that person abstain from signing, the same must be noted in the minutes of investigation.

**Article (52)**

The authority conducted the investigation must submit a report to the Director General containing the results of the investigation. Such authority may recommend whether to reserve the investigation, impose a penalty it recommends, or refer the case to the Disciplinary Board. The Director General may then decide what he deems appropriate regarding these recommendations.

**Article (53)**

The Disciplinary Board shall be comprise the Director General as president, and each of the Deputy Director General for Financial & Administrative Affairs, the Director of personnel Affairs, and the Director of Legal Affairs Department as members.

It is not acceptable for the person who had participated in the investigation presented before the board to be also a member of that Disciplinary Board.

The secretary of the Board shall be entrusted to an employee of the Personnel Affairs Department. The Board Resolutions shall be issued by majority vote following deliberation. In case the votes were equal, the side were the president sits shall prevail. The Board meeting shall be valid if three members are present . In case the president was absent, the Deputy Director shall sit on his behalf. All the members and the secretary must sign the Board's minutes of meeting.

**Article (54)**

The Chairman / Managing Director may, upon request from one member or more of the disciplinary Board or upon request from the employee, replace one member or more should there be serious reasons calling for that.

**Article (55)**

The Disciplinary Board shall meet upon the request of its president. The Board secretary shall handle preparing the Work Agenda of the meeting to be presented thereto during the meeting to be presented thereto during the meeting. Also, he will report the resolutions taken by the Board to the competent authorities for execution.

**CHAPTER TEN**  
**SERVICE TERMINATION**

**Article (56)**

The employee's service is terminated for one of the following reasons:

1. Death
2. Reaching sixty years old, in such case the service is terminated effective on the date upon reaching this age.
3. health incapacity.
4. Incompetence for work pursuant to the provisions of Article (19) of this Regulation.
5. Resignation.
6. Retirement on pension.
7. Dismissal upon disciplinary decision.
8. Conviction in a crime or misdemeanor relating to honor or honesty, If the judgment was issued as suspended of sentencing to punishment or abstaining from pronouncement, the service termination will be a possibility.
9. Job cancellation due to restructuring provided that there is no possibility to benefit from the employee in another job, and in this case he must be indemnified with an amount equivalent to his salaries for three months.
- \*10. Nonattendance to work without an excuse or acceptable reason for thirty sporadic days during one year. In this case, service termination will be as the end of the thirteen day, without prejudice to the provisions of article (62) of this Regulation.

**Article (57)**

If the service is terminated as a result of the employee 's death, a grant equals to three times double his gross monthly salary will be disbursed to him, in addition to another urgent grant equals to one month gross salary provided that it is not less than two Hundred Kuwaiti Dinars. The disbursement will be made to the person nominated by the employee . If no nominee was specified, the grants will be paid together with the end of service indemnity.

\* Addition was made pursuant to Administrative Resolution No. 2/2003 issued on 2/3/2003, which became operative effective from its issuance date.

**Article (58)**

By an order from the Chairman/ Managing Director, the employee's service may be extended prior to him reaching sixty years old for one or more periods, provided that it does not exceed five years in total.

**Article (59)**

The health incapacity shall be established by a decision by the competent Medical Board upon a request from Corporation or the employee himself. In this case, the service will be terminated as of the date the health incapacity is established.

**Article (60)**

The employee may resign from service, and his resignation must be in writing and free from any restriction or condition. Besides, his service cannot be terminated unless a decision accepting his resignation is issued. The resignation of an employee must be finalized within thirty days from the date it was submitted otherwise it will be deemed as accepted. The resignation must be submitted to the Director General through the Department Director, and the Director General may, during this period, postpone accepting the resignation for a period not exceeding three months under advice to the employee of the same. The resignation of an employee referred to investigation may not be accepted. The resignation of the Department Directors and those who are higher than them must be same to the board of Directors for finalization.

**Article (61)**

The employee must continue at his work until he is notified of the decision accepting his resignation or until the expiry of the period mentioned in the previous Article.

**Article (62)**

If the employee failed to attend to work he will be deprived of his salary for the duration of his absence, without prejudice to being subject to disciplinary questioning. If the absence reaches up to fifteen successive days, the employee shall be considered as resigned unless he submits, during fifteen days subsequent to the end of such absence period, what establishes that his absence was for an acceptable excuse. Should he fail to submit reasons justifying the absence, or if he submits these reasons but were refused, then his service will be deemed as terminated as from the starting date absence.

**Article (63)**

The employee shall be entitled his salary until the day his service is terminated for one of the reasons stated in Article (57). If the services was terminated by resignation, the employee will be entitled for his salary until the specified in the decision issued in acceptance of the resignation or the expiry date of the period after which the resignation will be deemed as accepted, as the case may be.

**Article (64)**

The employee may be caused to retire if he is entitled to retirement pension should his service terminates by resignation on the date he is caused to retire, provided that a nominal period of three years is to be added to his favor but it should not exceed maximum prescribed limit for the retirement pension within the basic social security. Causing an employee to retire must be upon decision from the Chairman / Managing Director pursuant to a proposal by the staff Affairs Committee, excluding the posts of Department Directors and those higher than that, which must be upon decision by the board of Directors pursuant to a proposal from the Chairman / Managing Director.

The Director General shall issue an order determining the rules and procedures of causing retirement on pension.

**Article (65)**

The non- Kuwaiti employee shall be entitled a bonus at the time of terminating hid service at the rate of 8% of his annual basic salary for each year actual service for the first five years, provided that the total will not be less than one year, and then at the rate of 10% of this salary for each year of his five subsequent years in service, and then at the rate of 12% of this salary for each year beyond this period.

**Article (66)**

The following periods will not be included in computing the service period:

1. Periods of the special unpaid leaves.
2. Periods of the unpaid absence from work.

**CHAPTER ELEVEN**  
**GENERAL PROVISIONS**

**Article (67)**

The provision of the Law and the Civil Service Articles of Association shall apply to the Corporation's staff who are subject to the provisions of the present Regulation in respect of whatever not provided for therein.

**Article (68)**

The Chairman/ Managing Director shall issue an order determining the rules and provision of the deputizing, delegation and replacement, provided that it does not contradict with the provisions of the Law No. 116 of year 1992 concerning the administrative of the same.

**Article (69)**

The systems' guidelines and administrative procedures issued through orders by the Chairman/ Managing Directors shall be deemed as complementary, implementing or interpreting to the provisions of the present Regulation. The Chairman / Managing Director may issue orders for special systems pertaining to some staff categories in the Corporation as exemption from the provisions of the present Regulation. In case of conflict between the provisions of the present Regulation and the provisions of the said systems, these special systems shall prevail as applicable.

Furthermore, the orders of the Chairman / Managing Director shall be valid in relation to whatever stated in the present Regulation as powers for the Director General.

**Article (70)**

Approval and endorsement of the present Regulation by the Board of Directors shall be deemed as an authorization to the Chairman/ Managing Director to exercise some powers of the Board of Directors which are stipulated in Law No. 21 of year 1965 concerning the Corporation's Articles of Association. Besides, they will be deemed as authorization to the Director General of the Corporation to exercise the powers stipulated in the present Regulation.

**Article (71)**

The computation of the provided for in the present Regulation shall be according to the Gregorian calendar. The month shall be considered as thirty days when computing the salary, and the daily wage of the employee will be determined by dividing the gross salary by thirty.

**Article (72)**

The personnel Affairs Department shall handle supervising the implementation of the provisions of the present Regulation as well as the orders issued for its execution, along with handling issuance of the instructions and directives necessary for that. Besides, it will handle devising the regulations, orders and guidelines pertinent to personnel Affairs.

**Article (73)**

The present Regulation was issued on 20/07/1998 AD, and its provisions shall become operational effective from 01/08/21998, and it shall annual the Service Regulation issued on 28/11/1983.

At the time the present Regulation become operational, the provisions of the systems and orders applicable at the personnel Affairs shall remain in force until the time of issuing the orders to implement the present Regulation, provided that they do not contradict with its provisions.

**Ahmed Hamad Al-Meshari**  
**Chairman / Managing Director**

**Law No. (21) of the year 1965**

**In Connection with**

**The Regulation**

**of**

**KUWAIT AIRWAYS  
CORPORATION**

Issued on: 6<sup>th</sup> Safar 1385 H.  
Corresponding to: 5<sup>th</sup> June, 1965 A.D.

**WE,**

**ABDULLA AL-SALEM AL-SABAH,**

**AMIR OF KUWAIT,**

After the perusal of,

Articles (20) and (65) of the Constitution, Article (19) of the Commercial Law, Law No. 15/1960 relating to the Commercial Companies and the Laws amending same, and Law No. 30/1964 setting up the Audit Bureau.

The Parliament has approved the following Law and we have ratified and promulgated it.

### **ARTICLE (1)**

Kuwait Airways Corporation shall be deemed a Public Institution, with its own legal entity, preserving the commercial style which it has at the time its ownership passed into the State, to the extent specified in this Law.

### **ARTICLE (2)**

The objects of the Corporation are carrying out all air transport business, within and outside Kuwait, operating business and establishments pertaining to air transport as well as promoting the same. The Corporation, for the achievement of its objects, may do the following:

- (1) Purchase, sell, hire and charter Aircraft, Spare Parts and other equipment, manufacture same and carry out maintenance works.
- (2) Construct and utilize Aircraft service stations, warehouses, sheds, workshops and factories, as well as all machinery, implements and equipment relating to its objects.
- (3) Deal in all tourist operations connected with its objects, whether within or outside Kuwait, airlines parties, tournaments and fairs, aerial photography, aerial surveys, currency exchange operations, sale of goods and products a board its Aircraft, in its offices, building and whatever it constructs or utilizes such as hotels, restaurants or any touristic establishments.
- (4) Set up schools for air-flight, wireless, engineering, aerial and ground services, training for same, and qualifying the Kuwaiti citizens to take over the technical, commercial and managerial works necessary for achieving the Corporation's objects.
- (5) Establish and set up branches and agencies inside or outside Kuwait, and act as technical, commercial and ground handling agent for Arab and foreign airlines in Kuwait or outside it.
- (6) Participate and cooperate with other institutions or companies which have similar activities or which assist in achieving its objects, as well as entering into individual and collective agreements with them as may realize benefits for the Corporation.

And generally, the Corporation may do all acts that tend to achieve and promote its objects.

◆ The Cabinet has the right to issue appropriate resolution for the corporation to comply with all or part of these objects for ten years.

### ◆◆ ARTICLE (3)

The capital of the Corporation is K.D. 350,000,000/- (Only Three Hundred Fifty Million Kuwaiti Dinars).

### ARTICLE (4)

The Corporation shall have a Board of Directors consisting of eight members. ◆◆◆ The Minister of Communication shall issue the rules regulating their appointment, terms of office and remuneration.

The Minister of Communication shall appoint from among the members of the Board a Chairman and a Managing Director who shall hold their posts on a full-time basis, and the rulings shall fix the remuneration and allowances due to each one of them.

### ARTICLE (5)

The Board of Directors shall be the authority controlling the affairs of the Corporation running its business and proposing the general policy on which it shall be operated. The Board may make whatever resolutions it deems necessary to achieve the objects of the Corporation in accordance with this Law. The Board of Directors may in particular:-

- (1) Issue rulings and internal regulations, and rulings relating to the financial, administrative and technical affairs of the Corporation, to the exclusion of governmental rules and procedures.

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◆ The last sentence of Article (2) Para. (6) is added according to the Law (9) issued on 1967.  
◆ Article (3) is amended according to the Law (23) issued on 1982.  
◆◆ The Minister of Finance is dissolved with the Minister of Communication according to Law (308) issued on 2004.

- (2) Issue rulings pertaining to the employment of the Corporation's employees and laborers, their promotion, transfer, termination and fixing of their wages, allowances and salaries in accordance with the regulations that are prepared in this respect, to the exclusion of governmental rules and procedures.
- (3) Approve the draft of the estimated annual budget of the Corporation.
- (4) Consider all matters that the competent Minister or the Chairman of the Board deems fit to place before the Board, regarding matters within the Corporation's competence.
- (5) Consider the periodical reports that are submitted showing the progress of the Corporation's works and its financial position.
- (6) Borrowing money from governmental and financial corporations owned by the Government, concluding loan agreements, issuing bonds in the local and foreign markets, all these after obtaining the approval of the Cabinet.
- (7) Lending money to companies participating in its establishment or holding shares in its capital and securing its loans toward others, all these after obtaining the approval of the Cabinet.

### **ARTICLE (6)**

The Board of Directors shall convene at the invitation of the Chairman. The Board should be called for a meeting once at least each month.

Quorum in Board meetings shall not be constituted unless each meeting is attended by the majority of the members.

Resolutions of the Board shall be passed by the majority opinion of the members present, in case of a tie in voting; the Chairman shall have a casting vote.

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◆ Para (6 & 7) in Article (5) are added according to Law (118) issued on 1992.

### **ARTICLE (7)**

The Chairman shall represent the Corporation in its dealings with other entities, persons and before the judicial authorities, and shall be responsible for implementing the general policy laid down by the Board.

The Board may elect, from among its members, a Deputy Chairman who shall carry out the functions of the Chairman during his absence.

### **ARTICLE (8)**

The Board of Directors shall appoint a Director for the Corporation assigned to do the following:-

- (1) Implement the resolutions of the Board of Directors.
- (2) Supervise the works of the Corporation's employees.
- (3) Prepare the draft budget of the Corporation.
- (4) Carry out the assignments with which he is empowered by the resolutions of the Board.

### **ARTICLE (9)**

The Chairman of the Board shall be responsible towards the Minister of Communications for the implementation of the general policy lay down to achieve the Corporation's objects.

### **ARTICLE (10)**

The Board of Directors' resolutions pertaining to the following matters shall not become valid unless approved by the Minister of Communications:-

- (1) The regulations.
- (2) The estimated budget.
- (3) The general budget and final account.

### **ARTICLE (11)**

Government employees may be seconded to the Corporation, and rulings relating to the secondment and the period thereof shall be issued by the competent Minister.

For the completion of secondment procedures, the written approval and consent of the employee shall be needed.

The period of secondment shall be included in the computation of pension as well as in the entitlement of periodic allowances and promotions.

### **◆ ARTICLE (12)**

The fiscal year of the Corporation shall start from the first of July and ends on the last day of June every year, with the exception of the following fiscal year of the application of Law No. 25/1982 which shall commence as from 1<sup>st</sup> January 1982 and ends on June 1983.

### **◆◆ ARTICLE (13)**

The Corporation's net profits shall belong to the Government after deducting the following:-

- (1) 10% to establish obligatory contingency provision to be ceased when it reaches 50% of the capital of the Corporation.
- (2) 10% to establish general contingency provision. This percentage could be amended by the Cabinet according to a proposal by the Ministry of Communications and suggested by Board of Directors.

The Government shall cover the Corporation's losses, if any.

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◆ Article (12) is amended according to the Law (25) issued on 1982.

◆◆ Article (13) is amended according to Article (2) of the Law (118).

#### **ARTICLE (14)**

The Corporation shall have an independent budget which shall be prepared on the style of commercial budgets.

The properties of the Corporation shall be deemed properties privately owned by the Government, unless the property is actually assigned for the public welfare.

#### **ARTICLE (15)**

The estimated annual budget shall comprise all elements of income and expenditure expected during the next fiscal year.

The Corporation shall present the draft budget, approved by its competent authorities, to the Parliament at least two months prior to the end of the fiscal year, provided for in this law, for Parliament's perusal and approval.

#### **ARTICLE (16)**

The Board of Directors shall prepare the final account of the Corporation including the profit and loss account for every past fiscal year. The Board shall also prepare a report on the Corporation's activities during the past year and on its financial position at the end of the same year. The said final account and financial statement shall be submitted, after the approval by the competent authorities in the Corporation, to the Parliament for consideration and approval within the four months subsequent to the fiscal year.

#### **ARTICLE (17)**

Without prejudice to the Audit Bureau's control, the Board of Directors may appoint an Auditor to audit the Corporation's accounts. The Board shall fix the Auditor's remuneration, and shall have the power of share holding companies auditors and be subject to the obligations pertaining to same.

### **ARTICLE (18)**

The Corporation shall, to the extent compatible with the provisions of this Law, be subject to the provisions of the system adopted by it prior to becoming owned by the Government, and shall also be subject to the provisions relating to share holding companies in the Commercial Companies Law. The Minister of Communications shall have, within these limits; the powers rested in the General Assembly of shareholders vide the said system or vide the said Law.

### **ARTICLE (19)**

This Law shall be published in the Official Gazette, and shall take effect as from the date of publication. The Minister of Communications shall issue the necessary rulings for its implementation.

**AMIR OF KUWAIT,  
Abdulla Al-Salem Al-Sabah**

Issued on:-  
6<sup>th</sup> of Safar 1385 H.  
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**EXPLANATORY MEMORANDUM**  
**For the Law Pertaining to the Regulation of**  
**Kuwait Airways Corporation**

Kuwait Airways Corporation started its activities in its capacity as a share-holding company, and then the ownership of its shares became collectively vested in the State. It could still have been possible, despite this fact, for the Corporation to maintain its legal form as a share-holding company and as a private legal entity due to its nature of business in commercial fields and because it is allowable under the Commercial Code as well as the Commercial Companies Law for the State to set up share-holding companies of its own, fully owned by the State. Yet, despite these practical considerations, the Corporation was considered as one of the public institutions. Law No. 19/1963 was promulgated whereby its budget was approved and, accordingly, the Corporation became subject to all the provisions that pertain to the State budget. This is a matter which although apparently realizes the nation's control over the activities of its Corporation and over its financial status (as represented by its Parliament), yet the actual state of affairs proves otherwise. The reason for this being that Kuwait Airways Corporation is a commercial enterprise whose yearly income and expenditure can not be predicted in advance. Every assessment of such income and expenditure, particularly the income, rests primarily on conjecture and any such assessment mostly fails before the fluctuations of the market and the contingencies of the future. And so, the submission of the Corporation to all the provisions applicable to the budget of the State did not achieve the required purposes, because this absolute submission is incompatible with the flexibility necessary to enable the Corporation at all times to face the strong competition of the other airlines and to orient its position with the requirements of the developing economic circumstances.

For all these reasons, and in order to enable the Corporation to achieve its aims and objectives as well as to render the legislation compatible with the actual state of affairs (which it normally should be so), it was deemed fit to prepare the draft of the accompanying Law. The first Article of the Law provides for preserving the legal form of the Corporation as a Public Institution and maintaining at the same time its commercial style, which it

had at the date when its ownership passed to the Government, and within the limits provided in this Law. This provision ensures the return of the Corporation to its original nature in this capacity as a share holding company and what follows therefrom in terms of its none-restrict ability to the revelations of the Government departments regarding its administrative system, its transactions or the preparation of its budget. It will be governed subject to the provisions of this Law, by the rules relating to share holding companies in the Commercial Companies Law. The assets of the Corporation shall also be considered, the assets privately owned by the State unless the assets have been ear-marked for the public welfare (Article 14 of the Law).

Also, the other Articles of the Law have shown the objects of the Corporation (Article 2), its capital (Article 3) and its administrative procedures (Article 4 to 10 inclusive). The Law provided that the Board of Directors of the Corporation consisting of eight Directors who are appointed and whose terms of office and remuneration is fixed by decision of the Minister of Communications, shall be the supreme authority over the affairs of the Corporation and the running of its business as well as the proposition of the general policy by which it should proceed. The Board of Directors may make, in this respect, the resolutions it deems necessary to achieve the Corporation's objects in accordance with the provisions of this Law.

All this, while at the same time the Law provides for active control over the Corporation, whether on the part of the Government or on the part of the Parliament as the former-represented by the Minister of Communications vide Article (18) of the draft Law, shall exercise all the powers vested in the General Assemblies of share-holding companies as per the Commercial Companies Law. Thereby, the permanent governmental control over all the organs of the Corporation shall be realized. Article (15) of the Law provides also that the Corporation shall submit its draft budget, approved by the competent authorities, to the Parliament two months at least prior to the end of the fiscal year provided for by the Law, so that the Parliament may examine and approve the draft budget. As an exception to Article (1) of the special Law pertaining to the General State Budget, Article (12) of the accompanying Law provides that the fiscal year for the Corporation shall start from the 1<sup>st</sup> of January and

end on the 31<sup>st</sup> of December of every year, with the exception of the first fiscal year which shall start with effect from 1<sup>st</sup> April 1965 and end on 31<sup>st</sup> December 1965.

And so, the opportunity shall be made available at all times for the Parliament to exercise active control over the Corporation's activities through the Parliament's control of its annual budget and financial statements of account (Articles 15 and 16 of the Law).

And without prejudice to the control of the Audit Bureau, Article (17) of the Law provides that the Board of Directors of the Corporation shall appoint an Auditor to audit its accounts in accordance with the established practice relating to share-holding companies.

And in view of the fact that a number of the personnel working in the Corporation were Government employees and the Government decided to solicit their assistance in the Corporation's management after having purchased all the Corporation's shares, it was decided to provide in Article (11) of the Law that it is permissible for Government employees to be loaned on secondment to the Corporation, and that decisions by the competent Minister be issued for such loan and for fixing the term thereof in order to reserve their rights in respect of pension, periodic increments and promotions.

And so, the accompanying Law has secured the realization of the practical as well as the legal considerations, by enabling the Corporation to carry-out its activities and to achieve its objects by pursuing flexible commercial practice, while at the same time providing active control over the Corporation by the State.

**MINISTER OF COMMUNICATIONS**