

# Corporate Governance Guide



البنك العربي الإسلامي الدولي  
ISLAMIC INTERNATIONAL ARAB BANK

## Corporate Governance Guide

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## Corporate Governance Guide

### Article (1)

This Guide shall be called (the Corporate Islamic Governance Guide) for the year 2015.

### Article (2)

#### Definition of the Guide

The international Islamic Arab bank gives great emphasis to sound Corporate Governance practices. The Board of directors of the bank is committed to applying the highest professional performance indicators all through the Bank activities. In this respect, the Bank follows up the regulations of the Central Bank of Jordan who adopted the recommendations of BASEL Committee about the corporate governance. The Bank also follows up the Islamic Financial Islamic Board IFSP and the Accounting & Auditing Organization for Islamic Financial Institution (AAOIFI), and the requirements of the relevant official control parties at Jordan.

This Guide was prepared based on the regulations of the Corporate Governance of Islamic Banks No. (61/2015) issued by the Central Bank of Jordan on 12/5/2015, after customizing it with the provisions of the applicable Jordanian Laws of Banks and Companies Law, and the Provisions of the memorandum and Articles of Association of the Bank and the Governance Guide for the Arab Bank Group plc., being the group that owns the bank.

### Article (3)

#### Definitions

The following terms and words provided in this Guide have the following defined meaning unless otherwise proven by context:

- Corporate Governance** : The system through which the bank is managed and directed. It aims to specify the corporate objectives of the Bank along with achieving them and safely manage the bank operations, protect the interests of the depositors and the investment accounts holders, be committed to the responsibility for shareholders and other owners of interest, and the bank's adherence to the internal policies and legislations of the bank.
- Appropriateness** : The availability of certain requirements in the members of the bank's Board of Directors and its High Executive Management and the members of the Sharia Supervisory Board of the Bank.
- The Board** : The Board of Directors of the Islamic International Arab Bank.
- Sharia Board** : The Sharia Supervisory Board at the Islamic International Arab Bank.
- Interest's Owners** : Those who have an interest in the Bank such as depositors, investment holders, shareholders, employees, creditors, clients or the concerned regulatory parties.
- The Main Shareholder** : The person who owns 5% or more of the Bank capital directly or indirectly.
- Executive Member** : A member of the Board of Directors who participate in return of a payment in the daily management of the bank business.
- Independent Member** : A member of the Board of Directors whether (in his capacity or as a proxy of an ordinary person) who has no other relationship in the bank other than his membership in the Board of Directors and the terms provided in this Guide

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### The High Executive Management

- apply to him.
- : This includes the General Director and the Deputy of the General Director and the Assistant of the General Director, the Financial Manager, Operations Management Manager, Risk Management Manager and Internal Audit Manager, and Sharia Internal Audit Manager, Treasury and Investment Manager, Regulatory Compliance Manager, in addition to any bank employee with the same executive authority for any of the above mentioned authorities which are functionally and directly connected with the General Director.

### Article (4)

#### The basic elements of the Guide

##### First, Commitment to the Corporate Governance:

The Islamic International Arab Bank (The Company) has an organized group of relationships with the Board of Directors, shareholders and all the other related parties. These relationships deal with the general framework of the Bank strategy and the means that are necessary to achieve their objectives. The General framework of the political governance insures fair treatment based on equality between all the shareholders. It also acknowledges all the shareholders' rights defined by the law, and asserts providing them with all the important information regarding the company's activities, and the Board of Directors adherence to their responsibility towards the company and the shareholders.

The bank has modified this Guide with accordance to the requirements and regulations of the Corporate Governance of the Islamic Banks No. (61/2015) issued by the Central Bank of Jordan, in a way that is harmonized with its needs and policies. The Guide has been approved by the Board of Directors on 19/10/2015 and has been published in a way that provides an updated copy on the Bank's website for the public upon demand. The Bank includes the annual report, a report for the public about the extent of the bank's adherence to the items of this Guide.

The bank has formed a committee immersing from the Board of Directors called the "Corporate Guide Governance Committee" which consists of the Chairman and two members to guide the process of the preparation, updating, and application of the Guide.

##### Second, the Board of Directors/General Principles:

- a. The essential duty of the Board of Directors is to protect shareholders' rights and develop them on the long run. In order to achieve this role, the Board of Directors bears the responsibility of the whole Corporate Governance including the strategic orientation of the bank and specification of the general objectives of the executive management and supervising the achievement of these aims.
- b. The board bears all the responsibility of the bank transactions and financial integrity and insures meeting the requirements of the Central Bank and the shareholders' interests, depositors, creditors, employees, and other related parties to ensure that the bank administration is carried out wisely and within the framework of laws and applicable regulations and the internal policies of the bank.
- c. The board consolidates the principle of each member's commitment towards the bank and all its shareholders.
- d. The board draws the strategic objectives of the bank in addition to regulating its executive management which bears the responsibility of the daily operations. The board also certifies the Monitoring Systems and internal control and makes sure of its efficiency and the extent of the bank adherence to the strategic plan and the policies, approved or required procedures with regard to laws and provisions issued pursuant to them in addition to making sure that all the bank risks have been soundly managed.

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### Article (5)

#### The Board Formulation

**Whereas the Islamic International Arab Bank is owned by one shareholder which is the Arab Bank Group. The Board is formed according to the following terms:**

- a. The members of the Board of Directors shall enjoy a great deal of credibility, integrity and efficiency and the necessary experience and the ability to be committed and devoted to the Bank work.
- b. The Board consists of five members elected by the General Assembly of the bank for five years duration.
- c. The posts of the Chairman of directors and the General Director shall not be held together. The Head of the board or any of the board members or shareholders shall not be a relative of less than the fourth degree with the General Director.
- d. No board member shall be an executive member.
- e. It shall be observed that at least two of the board members are independent members.
- f. The Committee of Nominations and Remuneration shall specify the necessary requirements to insure the independence of the member, so that it includes the following terms as a minimum:
  - f.1. He shall not be an executive member at the Board for the last three years as from the date of the application of the Corporate Governance regulations for the Islamic Banks.
  - f.2. He shall not be a previous employee of the Bank or of any of its affiliate companies (if any) during the last three years as from the date of the application of the Corporate Governance regulations for the Islamic Banks.
  - f.3. He shall not be a relative of a 2nd degree to any of the other board members or any member of the board members of the other companies affiliate to the bank (if any) or with one of the major shareholders of the bank.
  - f.4. He shall not be a relative of the 2nd degree with any of the other members of the Executive High Management or any member of the board members of the other Executive High Management of the affiliate companies of the bank (if any) .
  - f.5. He shall not be a partner or an employee at the External Auditor of the Bank or used to be a partner or an employee during the last three years of the date of electing him as a board member. He shall not be a relative of 1st degree to the partner responsible for auditing.
  - f.6. He shall not be a major shareholder of the bank or a proxy of a major shareholder or an ally to a major shareholder of the Bank, or that his shareholding with the shareholding of an ally constitutes the amount of the a major shareholder or a major shareholder of one of the companies affiliate to the bank (if any) or a major shareholder of the group owning the bank.
  - f.7. He shall not have occupied the membership of the Board of Directors of the bank of one of the companies affiliate to the bank (if any) or a member of Managers Corporation for more than eight continuous years.
  - f.8. He shall not have received, he or any company of which he is a member of its board of directors or owning it or a major shareholder of it, a credit from the bank with a percentage more than (5%) from the subscribed capital of the bank. He shall not be a guarantee of a credit from the bank with a value that exceeds the same percentage.
  - f.9. He shall be one of those with high financial or banking qualifications or experience.

### Article (6)

#### The Board Meetings

- a. The board meetings shall not be less than (6) meetings a year.
- b. The board members shall attend the meetings personally. In case of not being able to do so, the board member shall give his opinion through video or telephone after the approval

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- of the Head of Directors, without having the right to vote or sign the meeting minutes.
- c. The High Executive Management shall, before an adequate period of the board meeting, provide the Board members with sufficient information about the topics to be discussed during the meeting.
  - d. The Board meetings minutes shall be recorded along with the emerging committees in a complete and accurate way, in addition to writing down any reservations raised by any member. The bank shall keep all these minutes appropriately.

### Article (7)

#### Board Tasks and Responsibilities

##### The Board of directors carries out the following:

- a. Supervise the executive management and follow up their performance, making sure of the integrity of the bank financial conditions and of its appropriateness. Adopt appropriate policies and procedures to supervise and control the bank performance.
- b. Define the strategic aims of the bank. Direct the executive management to prepare a strategy to achieve these aims, and to adopt such strategy, in addition to adopting action plans that keep up with this strategy.
- c. Adopt a policy to control and revise the executive management performance through setting Key Performance Indicators (KPIs) to specify and assess and watch performance to move forward towards achieving the institutional aims.
- d. Ensure having policies, plans, and action procedures including all the bank activities and going along with relevant legislations have been circulated at all the various managerial levels and that it is being regularly revised.
- e. Define the Code of Ethics of the bank; draw clear lines of the responsibility and accountability for all the bank activities along with establishing a high culture of ethical standards, integrity and professional behaviour of the bank managers.
- f. Bear the responsibility of the integrity of all the bank transactions including the bank financial situations and the responsibility of executing the Central Bank requirements and the relevant control parties while observing interests' owners. The bank shall be administered within the framework of the internal policies and legislations of the bank, and that the effective control is always available on the bank activities including the bank activities attributed to external parties.
- g. Appoint Auditing Manager, Risk Management Manager, and Regulatory Compliance Manager and accept their resignations based on the recommendations of the Committee of Nomination and Remuneration.
- h. Adopt internal Control & Monitoring systems of the bank to be annually revised. Make sure that the internal and external auditors have revised the structure of these systems once at least every year. The annual report of the bank shall include evidence to insure the efficiency of these systems.
- i. Insure the independence of the external accounts auditors from the beginning and on.
- j. Insure the independence of the Sharia Supervisory Board members from the beginning and on according to what has been provided in the Governance Guide.
- k. Adopt a strategy for risk management and observe its implementation so that it includes the acceptable risk level along with insuring that the bank is not exposed to high levels of risks. Ensure the availability of tools and infrastructure for the bank risk management which is able to define and assess and control all kinds of risks the bank is exposed to.
- l. Ensure having adequate and reliable Management Information System (MIS) that cover all the bank activities.
- m. Check that the credit policy of the bank includes evaluation of the Corporate Governance of the clients of companies specially the general shareholding companies, so that risks of clients shall be evaluated according to the points of strength and weakness and according to their practices in the field of the governance.

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- n. Ensure that the bank adopts appropriate social initiatives in the field of protecting the environment, health and education; observe providing funding to the small and middle-sized companies with appropriate prices and periods.
- o. Adopt the measures that secure having a clear separation between the authorities of the shareholders who possess an influencing interest from the one hand and the executive management from the other hand with the aim of fostering the sound Corporate Governance and find the appropriate mechanisms to stop the influence of the shareholders who possess an influencing interest through the following including and not being limited to:
  - s.1.No shareholder who owns an influencing interest shall occupy any job of the High Executive Management.
  - s.2.The High Executive Management shall take its authority from the board alone and work within the commission given to them.
- p. Adopt an organizational structure of the Bank illustrating the managerial sequence including the board committees and the executive and managerial corporate that clearly reflects the lines of responsibility of an authority.
- q. Adopt the bank policies and strategies and the affiliate companies (if any) and adopt the managerial structures of these companies, adopt a guide for the Corporate Governance at the group level while observing the regulations issued for this regard from the Central Banks or the regulating parties for the countries where the affiliate companies are found.
- r. The board determines the banking operations that require his agreement provided observing not to extend that in a way that breaches the regulating role of the board. The Board member shall not be granted executive powers including the power to grant a credit for one of the board members alone including the chairman.
- s. Specify the tasks of the Board Secretary so that it includes:
  - z.1.Attend all the board meetings, write down all the discussions, suggestions, objections and reservations, and how to vote for the projects of the Board Resolutions.
  - z.2.Appoint the time of the board meeting with the co-ordination of the chairman.
  - z.3.Making sure of the board of directors' signature on the meetings minutes and resolutions.
  - z.4.Follow up the implementation of the board of directors' resolutions and follow up any topics postponed from a previous meeting.
  - z.5.Keep the records and documents of the board of directors' meetings.
  - z.6.Take the necessary procedures to make sure that the resolution projects to be issued from the Board are in accordance with the legislations.
  - z.7.Prepare for the meetings of the General Assembly and co-operation with committees emerging from the board.
  - z.8.Provide the Central Bank with the appropriate resolutions that are signed by the board members.
- t. Provide direct contact of the board members and the emerging committees with the executive management and the board secretary. Facilitate their performance of the tasks assigned to them including seeking the help of, whenever necessary and on the Bank expenses, with external resources in co-ordination with the chairman along with confirming that no board member shall influence the executive administration resolutions unless through discussions carried out at the board meetings or the emerging committees.
- u. Secure the availability of an appropriate Sharia Supervisory Board and a system of Sharia controls which includes an internal Sharia system, through insuring that there is an active Sharia independent supervision over each of the Bank Units.
- v. Check that all the banking activities are carried out in accordance with the provisions and principles of the Islamic Sharia and the Sharia resolutions and Fatwa issued by the Board.
- w. Ensure duly providing the Sharia Board with adequate and sufficient information with the aim of helping them in carrying out their tasks represented in checking the bank

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- adherence to the Islamic provisions and principles of the Islamic Sharia, and form an independent opinion with this regard.
- x. Secure getting the Sharia Board opinion of all contracts, transactions, agreements, products, services, investment policies, and profit and loss distribution and set aside earnings on the investment account and the mechanism of dealing with the income that violates the Sharia provisions.
  - y. Adopt a policy that organizes the relationship between the bank and shareholders/the owners of investment accounts provided being revised by the Sharia Board and the obligation of publishing this policy on the Bank Website.
  - z. Adopt the guide of special policies and procedures by sticking to the provisions and principles of the Islamic Sharia provided containing at least the following:
    - z.1. The mechanism of showing the topics to the Sharia Board to get the's Fatwa and/or resolutions regarding it.
    - z.2. Guide/ The Sharia Board work procedure.
    - z.3. The mechanism of insuring compliance with the Fatwa issued by the Sharia Board.
    - z.4. A mechanism to facilitate the communication of the various bank units and the bank clients with the Sharia Board.
    - z.5. A mechanism to provide the bank clients- upon their request- a clarification of any Fatwa issued by the Sharia Board.
  - aa. The commitment to publish the Fatwas and resolutions issued by the Sharia Board on the bank website. In case of initiating a product or a service or treatment adoption or a mechanism related to the product or service and a Fatwa and resolutions are issued for this regard, they have to be published during a period of no more than six months as from the date of adoption/ provision.
  - bb. Insure adherence to the control criteria issued by Accounting & Auditing Organization for Islamic Financial Institution (AAOIFI).
  - cc. The commitment of applying the policies of company governance of the Arab Bank Group related to the affiliate company as they are the group owning the bank.

### Article (8)

#### The Board Chairman Tasks

- a. Being keen on establishing constructive relationships between the board and the Executive Management of the bank.
- b. Being keen on establishing a constructive relationship between the board and the Sharia Board and the Executive Management of the bank.
- c. Encourage constructive criticism about issues discussed in general and other issued with variance in opinions of members. Encourage discussing and voting on such issues.
- d. Confirm that all the board members receive the previous minutes of the meetings to be signed, in addition to receiving the agenda of any meeting before its being held with a sufficient period provided that the agenda includes adequate information about the topics to be discussed during the meeting. The delivery shall be made by the Board secretary.
- e. Confirm having a Charter that organizes and specifies the board actions.
- f. Discuss thoroughly the strategic and important matters at the Board's meetings.
- g. Provide each member of the Board members when being elected with the law provisions concerned with the bank work and the instructions of the Central Bank that are related to the Board work including the Corporate Governance Guide along with a booklet that illustrates the member's rights, responsibilities, duties and tasks along with the tasks of the Board's secretary.
- h. Provide each member with an adequate summary of the bank work at appointment or upon request.
- i. Discuss with any new member with the help of the bank legal counsellor the Board's tasks and responsibilities, especially those related to the legal and organizational



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requirements to clarify powers and other things related to membership including the membership period, the meeting dates, the committees tasks, the amount of the remuneration, and the possibility of getting the independent specialized technical consultation whenever necessary.

- j. Satisfy the needs of the Board members regarding the development of their experience and constant education, and to allow to the new member attending guidance program taking into consideration the banking background of the member, provided that the program includes, as a minimum, the following topics:
  1. The Organizational structure of the Bank and the Corporate Governance and the professional Code of Ethics.
  2. The institutional objectives and the Bank Strategic Plan and its adopted policies.
  3. The financial situation of the Bank.
  4. The structure of the Bank risks and the framework of the Risk Management.
  5. The Sharia Controls.

### Article (9)

#### The Board Members Obligations

**First, The Board of directors carries out the following:**

- a. Acquaintance of legislations and principles related to the Islamic Banking Work and the operating environment of the Bank while keeping up with the developments taking place there in addition to external updates that are concerned with his job along with the appointment requirement at the high executive management post at the Bank.
- b. Attending the Board meetings and the committees meetings and the meetings of the General Assembly.
- c. He shall not disclose any of the confidential information of the Bank and shall not use it for his own interest or for others interests.
- d. Prefer the Bank's interests in all transactions performed with other companies he has an interest with, and to cease the commercial actions opportunities of the Bank for his own interest and to avoid any interests' conflicts. He shall disclose to the Board in details any conflict of interests, in case of having one, along with commitment of not attending or participating in any meeting where such topic is discussed and to participate in the decision taken in that meeting in addition to writing down that disclosure in the Board meeting minutes.

### Article (10)

#### Limits of Responsibility and Accountability

**First, The Board of Directors performs the following:**

- a. Adopt clear limits of responsibility, liability, accountability and adhere to them at all the managerial levels of the Bank.
- b. Confirm that the organizational structure clearly reflects the lines of responsibility and authority provided that it contains at least the following regulating levels:
  1. The Board of Directors
  2. The Sharia Supervisory Board
  3. Separate managements of risk, compliance, internal auditing, Internal Sharia auditing that don't practice daily executive actions.
  4. Units/employees not participating in the daily operations of the Bank activities.
- c. Confirm that the high executive management carries out its responsibilities related to the management of the Bank daily operations and that it contributes in applying Corporate Governance there and that it commissions powers to its employees, and that it establishes an active managerial structure that may foster accountability, and that it achieves tasks in the various areas and activities of works in a way that goes along with the policies and procedures adopted by the Board, and the resolutions and Fatwa issued by the Sharia

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Board.

- d. Adopt appropriate regulatory and Sharia controls to enable him enquire the high executive management.

**Second**, not to combine between the posts of the Chairman of the Board and Executive General Director. The Chairman of the Board or any of the members of the Board or the major shareholders shall not be less than 4<sup>th</sup> degree relative of the Executive General Director.

### Article (11)

#### Tasks and Responsibilities of the General Director

In addition to what is mentioned in the legislations, the General Director does the following:

- a. Develop the strategic orientation of the Bank.
- b. Implement the strategies and policies of the Bank.
- c. Implement the resolutions of the Board of Directors.
- d. Implement the resolutions and Fatwa issued by the Sharia Board and the Regulatory Compliance.
- e. Provide guidelines to implement the short term and long term action plans.
- f. Communicate the Bank strategy, vision and mission to the employees.
- g. Inform the Board of the important sides of the Bank transactions.
- h. Manage the daily operations of the Bank.

### Article (12)

#### Committees Emerging from the Board

The board of Directors forms committees of their members. They also specify the committee's objectives and empower it with authorities, according to a charter that clarifies the foregoing. These committees submit periodical reports to the Board of Directors. The presence of such committees does not exempt the Board as a whole from bearing their responsibilities. These committees are represented by the following:

##### **The Corporate Governance Committee:**

The committee consists of three members of the board (At least two of them are independent) provided that it includes the Board chairman. This committee assumes guidance and supervision of preparing and updating a guide of the Corporate Governance and observing its application.

##### **The Auditing Committee:**

1. The Auditing Committee consists of at least three members of the board. The majority of the committee members, including the head of committee, are from the independent members.
2. All the committee members shall have scientific qualifications and enjoy appropriate practical experience in the fields of accounting or finance or any of the specializations or similar fields concerned with the business of Islamic Banks. In case of not having appropriate experience in the business of Islamic banks, work on providing them with appropriate training programs in the field of accounting criteria, auditing, controls, legal criteria issued from Accounting & Auditing Organization For Islamic Financial Institution (AAOIFI), and the criteria issued from Islamic Financial Board (IFSB).
3. The auditing committee holds (4) annual meetings and whenever need be.
4. The auditing committee revises the following:
  - a. Scope, results and extent of adequacy of the bank's internal and external auditing of the bank.
  - b. Accounting issues of material impact on the financial statement of the bank.
  - c. Internal control & monitoring system at the bank.
5. The committee submits recommendations to the Board of Directors regarding the

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appointment of the external auditor and terminating their job and fees and any terms related to contracting them, in addition to appraising their independence, taking into consideration any other business they are assigned to do outside the auditing range.

6. The committee shall have the power of getting any information from the executive management and has the right to summon any administrator to attend any of its meetings.
7. The committee meets with the external and internal auditors along with the regulatory compliance official at least once a year without the attendance of any of the High Executive Management members.
8. The committee revises and monitors the procedures that enable employees from secretly notifying any mistake in the financial reports or any legal breaching or any other issues. The committee secures the presence of the necessary preparations for the independent checking and confirming the follow up of the investigation results and objectively addressing them.
9. Confirm the external audit ability to revise the range of the bank compliance with Sharia controls within the terms provided in the Link Message signed with him, to insure that the bank has done so.

### **The Committee of Nomination and Remuneration**

1. The committee consists of at least three members of the Board, provided that the number of the independent members shall not be less than two including the Head of Committee.
2. The Committee meets upon a summon of the Head of the committee whenever need be.
3. The tasks and powers of the Committee of Nomination and Remunerations are as follows:
  - a. Define the persons qualified to join the board membership while taking into consideration the abilities and qualifications of the nominated persons. The number of the member's attendance and active participation in the board are taken into consideration in case of nominating the members once again.
  - b. Define whether the member holds the capacity of independent member and annually revises that fact.
  - c. Specify and nominate persons qualified to join the Sharia Board membership taking into consideration the abilities and qualifications of the nominated persons while observing that the corporate member possess a jurisprudential talent, competent of understanding the jurisprudents' speech, able to Exeter jurisprudential provisions or induction in the upcoming issues. He shall be characterized with alertness and wit along with knowledge of people status and customs, paying attention to their tricks in forging and inverting speech and picturing the wrong in the picture of right. He shall be aware of the country's customs and norms to be able to know the intent of the one who asks for a fatwa. The number of the member's attendance and active participation in the board meetings are taken into consideration in case of nominating the member once again.
  - d. Nominate the persons to join the High Executive Management to the Board.
  - e. Follow specific approved foundations to evaluate the Board performance as a whole including its members and committees and the Sharia Board members and the General Director so that the performance evaluation indicator shall be objective. The Central Bank shall be notified of the result of such evaluation.
  - f. Check the attendance of the Board members and Sharia Board members of workshops or seminars on the banking topics particularly in risk management, the corporate governance, and the latest developments of the Islamic banking business.
  - g. Provide information and summaries about the background of some important topics of the bank to the Board members and the corporate members upon request. Confirm that they are continuously informed of the latest topics related to the Islamic Banking Business.
  - h. Check the availability of the performance incentive policy for the bank administrators

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and periodically revising it and applying that policy as recommended by the committee by specifying the salaries of the General Executive Manager and the remaining staff of the High Executive Management along with their incentives and other privileges.

- i. Check the availability of succession plan of the High Executive Management.

### **Risk Management Committee:**

1. The risk management committee consists of three of the board members provided having one independent member among them, in addition to the General Director and the Manager of the Risk Management.
2. The committee meets (4) times a year and whenever need be.
3. The tasks of the Risk Management Committee include in its minimum the following:
  - a. Revise the framework of the Risk Management of the Bank.
  - b. Revise the strategy of the Risk Management of the Bank before adopting it by the Board.
  - c. Keep up with the developments that affect the actual risk management of the bank, submit periodical reports about them to the Board.
  - d. Check that there is no variance among risks taken by the bank and the level of the acceptable risks approved by the board.
  - e. Provide the appropriate conditions to secure acknowledging the risks that have a crucial influence, and any activities carried out by the Bank that may expose it to risks beyond the acceptable risks, and submit reports about them to the Board to follow up its remedy.

### **Corporate Strategy Committee:**

1. The Corporate Strategy Committee of the bank consists of two members of the Bank Board; one of them is the Chairman of the board in addition to the General Director.
2. The committee meets upon an invitation from The Head of Committee whenever need be.
3. The Corporate Strategy Committee task includes in its minimum the following:
  - a. Supervise all the elements related to the Bank Strategy and confirm the existence of general policies to actively implement such strategies.
  - b. Approve the strategic resolutions and guide the executive management.
  - c. Revise and approve any new investments such as acquisition, expansion and merging processes of new markets, and the processes of the abandonment of properties of the bank or the affiliate companies.

### **Higher Facilities Committee:**

1. The Supreme Facilities Committee emerging from the Board of Directors consists of the Chairman of the Board (the Chairman) and two of the board members.
2. The committee shall meet whenever the need be.
3. The tasks of the Higher Facilities Committee emerging from the Board of Directors include approval of granting loans and banking facilities which amount exceeds the credit power of the credit committees of the Bank with regard to the credit policy approved by the Board of Directors.

## Article (13)

### **Sharia Supervisory Board**

First, with observance to the provisions of article (58) of the Banking Law (28) for the year (2000) and its amendments provided that the bank comply with the following:

- a. The members of the Sharia Board shall be appointed based on the recommendations of the Board of Directors and with nomination of the Committee of Nomination and Remuneration for four renewable years.
- b. Sign the link message between the Sharia Supervisory Sharia Board and the Bank in which the scope of the Sharia Board actions is specified in addition to their duties and fees.

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- c. The Sharia Board Meetings:
  - c.1. The Sharia Board periodically meets to carry out periodical revisions and to follow up the legal commitment of the Bank transactions provided that the meetings shall not be less than (6) meetings a year.
  - c.2. The Sharia Board meets with The Board of Directors and the Auditing Committee and the external auditor at least twice a year (every six months) to discuss issues of joint interest.
  - c.3. The Board members shall attend the Board meeting personally. In case of not being able to personally attend the meeting, the board member may give his opinion through the video or the telephone after taking the approval of the Chairperson of the Board. He has the right to vote and sign on the meeting minutes. The member is declined such right in any of the following cases:
    - c.3.1. If the member was absent from personal attendance without an acceptable excuse.
    - c.3.2. If the percentage of the personal attendance of the member is less than (50%) of the Sharia Board meetings.
  - c.4. The minutes of the Sharia Board meetings shall be written accurately and completely, in addition to any reservations raised by any member. The bank shall appropriately keep these minutes.
  - c.5. The High Executive Management shall sufficiently ahead of the meeting of the Board, submit adequate and accurate information for the Sharia Board members. The Chairperson shall check that.
- d. The Sharia Board prepares a guide of procedures that includes the work system of the Sharia Board and its specializations and responsibilities, and organizing its relationship with the Board and the executive management, and the mechanism of preparing its reports that are submitted to the management, the board, and the shareholders, in addition to its approach in Sharia supervision, and the mechanism of holding its meetings.
- e. The corporate shall observe the Sharia' environment taking into consideration the provisions of Article (53/a) of the Banking Law (28) for the year (2000) and its legislative amendments in the Kingdom.
- f. The Sharia Supervisory Board should comply with the Code of Conduct applicable at the Bank.
- g. The Sharia Board has the right to obtain any information and boundless access to all the Bank activities and to contact any employee inside the Bank. They are also given all the powers that enable them to accomplish tasks assigned to them as required, including summoning any employee of the Bank.
- h. The Sharia Board may, if need be, after getting the agreement of the Board, seek the help of external resources, on the bank expenses, to help them accomplish tasks assigned to them as required.
- i. To insure the independence of the Sharia Board members, the following requirements shall be available as a minimum:
  - i.1. He shall not get any funding for him or for any of his 2nd degree relatives from the Bank or from any of the companies affiliate to the Bank.
  - i.2. He shall not be treated as an employee of the bank or at any of the companies affiliate to the bank during the two previous years as from the date of appointment.
  - i.3. He shall not be a member of a Sharia' Advisory Sharia Board at any other licensed Islamic Bank in Jordan. He shall not be a member of a Sharia' Advisory Sharia Board of more than four financial establishments that don't accept deposits operating in Jordan while without having conflict of interests.
  - i.4. He shall not be a member of the Bank's Board of Directors or owning a company which the Bank deals with, except for transactions arising because of services and/ or ordinary works which the Bank delivers to his clients provided that the same terms

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that other transactions are subject to are applied to them with any other party and without any preferential terms.

- i.5. He shall not be 2nd degree relative with any of the Board of Directors' members or any other person from the High Executive Management at the Bank. He shall not take from the bank any salary or any monetary amount or ruminations or bonuses or gifts except of what he receive in return of his membership of the Sharia Board or in return of any additional actions he is assigned to do without affecting his independence.
- i.6. He shall not be a shareholder of the Bank or a proxy of a major shareholder of the Bank or a shareholder of any of the companies affiliate to the Bank or a shareholder of the group owning the Bank.

### **Second, The Obligations of the Sharia Supervisory Board Member:**

1. Maintain equity and justice among the owners of interests.
2. Act in a way that allows him to preserve his honesty and integrity.
3. Take into consideration, when making a decision, the lawful and legal points in addition to the technical points of Sharia commitment.
4. Appreciate difference of opinions among the jurisprudential schools and the variance of experience among his colleagues at the Sharia Board.

### **Third, the Works of the Sharia Supervisory Board:**

- a. Supervise the Bank actions and activities regarding their agreement without breaching the provisions of the Islamic Sharia, follow up and revise transactions to confirm that they are free from any Sharia prohibitions.
- b. Give the opinion of and adopt all contracts, transactions, agreements, products, services, investment policies and the policy that organizes the relationship between the shareholders and the owners of the investment accounts including the distribution of profits and bearing losses and avoiding the income on the investment account, and the way of dealing with the non-sharia compliant earnings.
- c. Agree on bearing any losses resulting from the bank transactions regarding the holders of investment accounts.
- d. Formulate and give opinion of the extent of the Bank complying to the provisions and principles of the Islamic Sharia so that the Sharia Board may do the following:
  - d.1. Revise and adopt the annual Sharia internal auditing report and submit it to the audit committee.
  - d.2. Issue semi-annual/ annual report about the Sharia commitment so that it includes the extent of the efficacy of internal Sharia controls and any points of weakness in the systems of the Sharia control systems and the internal Sharia supervision which has a crucial effect provided that the semi-annual report is submitted to the Board of Directors and the annual report to the General Assembly of Shareholders and a copy of each of them to the Central Bank.
- e. Revise the policies and instructions related to the Islamic Sharia provisions and approve them.
- f. Submit consultation to the parties that deliver services to the bank such as auditors, lawyers, and counsellors.
- g. Confirm the adequacy and efficiency of the Internal Sharia Supervisory system at the Bank.
- h. Confirm the adequacy and efficiency of the Internal Sharia Auditing Management through revising the reports of the system at the Bank through revising the Internal Sharia Auditing Management, and the management's reply on it and provide the guidelines to the Management of the Internal Sharia Auditing.
- i. Co-ordinate with the committee of Corporate Governance and the Auditing Committee to confirm the Bank complying to the provisions and principles of the Islamic Sharia.
- j. Suggest the necessary Sharia training program for the Bank employees.

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- k. Being informed of all the reports which include revising complying to the provisions and principles of the Islamic Sharia including the Central Bank reports, the external auditor and the Administration's replies to them.
- l. Attend the meetings of the General Assembly of shareholders, read the report of the Sharia Supervisory Sharia Board by its chairman or whoever he commissions of the Sharia Board members.
- m. Give an opinion of the Memorandum of Association and the Article of Association of the Bank to ensure their being harmonious with the provisions and principles of the Islamic Sharia.
- n. Nominate to the Board of Directors to appoint/dismissal of the Director of the Internal Sharia auditing/ secretary of Sharia Board.

**Fourth:** the Director of the Internal Sharia auditing must be appointed as secretary of Sharia Board

### **Fifth: Tasks of the Sharia Board Secretary:**

- a. Attend all the Sharia Board meetings and write down all the discussions and suggestions, objections, reservations, and how to act upon the projects of the Sharia Board resolutions.
- b. Define the dates of the Sharia Board meetings with the co-ordination of the chairman of the Sharia Board and notify members of them.
- c. Prepare for the Sharia Board meetings and receive Sharia inquiries from all the organizational units as a preliminary step to show them to the Sharia Board.
- d. Confirm that the Sharia Board members have signed on the meetings minutes and resolutions.
- e. Follow up the implementation of Fatwa and resolutions taken by the Sharia Board and provide the Sharia auditing Department and Regulatory Compliance Department, to be advised of them and work on them and follow up any topics that were postponed from a previous meeting.
- f. Keep the registers and documents of the Sharia Board meetings.
- g. Write down the name of the member who was absent from the meeting while stating whether his absence was with an excuse or not in the session minutes.
- h. Provide the Central Bank with the appropriateness acknowledgements that are signed by the Sharia Board members.

### **Article (14)**

#### **Appropriateness**

The board and the Nomination and Remuneration Committee bear the responsibility of confirming that the Board of Directors' members and the Sharia Board members and the executive department of the bank have the greatest amount of validity, integrity, competence, the necessary experience and the ability to be committed to the bank work.

#### **First: The Board Members' Appropriateness:**

- a. The Board of Directors adopts an effective policy to insure the appropriateness of its members, provided that such policy includes the minimum criteria and requirements and terms to be available at the nominated and appointed member, provided that such policy shall be revised whenever need to be. Adequate procedures and systems shall be set forth to insure that all members have the appropriateness criteria and continuously enjoying them along with providing the Central Bank with a copy of it.
- b. Any person occupies the presidency or membership of the Board of Directors of the Bank shall have the following:
  - b.1. His age shall not be less than 25 years.
  - b.2. He shall not be a member of the Board of Directors of any other bank inside the Kingdom or a General Director of it or a regional manager or an employee at it unless the other bank is an affiliate of the Bank.

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- b.3. He shall not be a solicitor or a legal counsellor or the bank's accounts auditor.
- b.4. He shall obtain the first university degree as a minimum whether in Economics or Finance or Accounting or Business Administration or any other similar specialization. The Committee of Nomination and Remuneration has the right to consider adding any other specializations if it was combined with an experience that is related to the Bank business.
- b.5. He shall not be a government employee or any other official of a public institution except being a representative of it.
- b.6. He shall not be a member of the board of Directors of more than five public shareholding companies inside the Kingdom being personally in some of them or as a proxy of a corporate person in some others.
- b.7. He shall have an experience in the bank business or finance or any other similar fields of not less than 5 years with knowledge of banking activities that agree with provisions of the Islamic Sharia.
- c. Whoever is nominated/ appointed at the Board of Directors shall sign an appropriateness acknowledgement of the Board of Directors member attached with the Curriculum Vitae and his own attachments to be kept at the Bank with a copy to be sent to the Central Bank of Jordan.
- d. Whoever occupies the presidency or membership of the board shall sign (acknowledgement of the Board of Directors member and attachments) to be kept at the Bank with a copy to be sent to the Central Bank of Jordan, attached with the Curriculum Vitae of the member.
- e. The Chairman of the Board shall confirm informing the Central Bank of any crucial information that may negatively affect any of the appropriateness of any of its members.

### **Second: The Appropriateness of the High Executive Management**

- a. The Board of Directors performs the following:
  - a.1. Adopt a policy to secure the appropriateness of the members of the High Executive management at the bank, provided that such policy includes the minimum criteria and requirements along with terms to be available at the member of the High Executive Management. Revise such policy from time to time, and set sufficient procedures and systems to insure that all members of the High Executive Management have appropriateness standard and that they keep on enjoying them, and provide the Central Bank of a copy of such policy.
  - a.2. Appoint a general Director who enjoys integrity and technical competence, banking experience after the approval of the Central Bank of Jordan on his appointment.
  - a.3. Approval of appointing any of the members of the High Executive Management of the bank after getting a no objection certificate from the Central Bank of Jordan.
  - a.4. Approve the functional succession plan for the members of the High Executive Management of the bank and revise such plan at least once yearly.
  - a.5. Inform the Central Bank of any crucial information that may negatively affect any of the appropriateness of any of the members of the High Executive Management.
- b. Whoever is appointed at the High Executive Management of the bank shall have the following:
  - b.1. He shall not be a member of the Board of Directors of any other bank inside the Kingdom unless the other bank is an affiliate of the Bank.
  - b.2. He shall be free to manage the bank business.
  - b.3. He shall obtain the first university degree as a minimum whether in Economics or Finance or Accounting or Business Administration or any other similar specialization that is related to the Bank business.
  - b.4. He shall have an experience in the bank business or any other similar fields of not less than 5 years except for the post of the General Director whose experience in the



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field of banking business shall not be less than 10 years.

- b.5. Within the experience mentioned in the previous item, there shall be at least two years in the field of Islamic Banks. Otherwise, the member of the High Executive Management shall be subject to a comprehensive rehabilitation program in the field of Islamic banks and the standards of accounting and auditing, Sharia controls and standards issued by the Accounting & Auditing Organization For Islamic Financial Institution (AAOIFI), and the standards issued by Islamic Financial Islamic Board (IFSB) for a period of not less than three months.
- c. Whoever is nominated/appointed at the Executive Administration shall sign an appropriateness acknowledgement of the Executive Administration member attached with the Curriculum Vitae and his own attachments to be kept at the Bank with a copy to be sent to the Central Bank of Jordan.

### **Third, the Appropriateness of the Sharia Board Members:**

- a. The Board of Directors shall perform the following:
  - a.1. Adopt an effective policy to secure the appropriateness of the members of the Sharia Board at the bank, provided that such policy includes the minimum of criteria and requirements along with terms to be available at the nominated and appointed member, and revise such policy from time to time whenever need be, and set sufficient procedures and systems to insure that all members of the Sharia Board have the appropriateness continuous complying with them and provide the Central Bank of a copy of such policy
  - a.2. Inform the Central Bank of any crucial information that may negatively affect any of the appropriateness of any of the members of the Sharia Board.
- b. Whoever occupies the presidency or membership of the Sharia Board the bank shall have the following:
  - b.1. He shall obtain the first university degree as a minimum in the Sharia Science in the Islamic Jurisprudential and its origins or Islamic Economy or Islamic funding.
  - b.2. He shall have an experience of not less than three years in issuing Fatwa and/or an experience in the area of teaching or scientific research that is not less than four years after graduation.
- c. Whenever there is a need to appoint members of the Sharia Board who is residing outside Jordan, it is a condition that the number shall not go beyond half the number of the Sharia Board members.
- d. Whoever is nominated/appointed at the Sharia Board shall sign an appropriateness acknowledgement of the Sharia Supervisory Sharia Board member attached with the Curriculum Vitae and his own attachments to be kept at the Bank with a copy to be sent to the Central Bank of Jordan.

### **Article (15)**

#### **Evaluation of the Board of Directors and Sharia Board and Administrators Performance**

- a. The Board of Directors develops a system to evaluate the performance of the board and the work of its members provided that the system shall include as a minimum:
  - a.1. Set specific objective and specify the Board role in achieving such objectives in a way that can be assessed.
  - a.2. Specify key Performance Indicators that can be extracted from strategic aims and plans to be used to assess the Board performance.
  - a.3. Periodical communication between the Board of Directors and shareholders.
  - a.4. Periodical meetings of the Boards of Directors with the High Executive Management.
  - a.5. The role of the member in the Board of Directors' meetings, and the comparison of his performance with the performance of others. Feedback shall be provided from the

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- concerned member with the aim of improving the evaluation process.
- b. The Committee of Nomination and Remuneration shall evaluate the performance of the Board as a whole and its committees and members, provided that the committee informs the Central Bank of such evaluation.
  - c. The Board shall evaluate the Sharia Board Performance and its members every year according to an evaluation system prepared by the Committee of Nomination and Remuneration which includes setting the Key Performance Indicators provided that they include the standards of evaluating the performance of the Sharia Board and its members through the role of the members in the Sharia Board meetings and comparing his performance with the performance of other members of the Sharia Board. A feedback shall be obtained from the related member with the aim of improving the process of evaluation. The evaluation system shall include the extent of the Sharia Board accomplishing tasks and duties and the extent of the efficacy of the Shariá Supervisory Controls at the Bank, provided that the committee shall inform the Central Bank of the result of such appraisal.
  - d. The Board shall evaluate the General Director Performance every year according to an evaluation system prepared by the committee of Nomination and Remuneration which includes setting the Key Performance Indicators provided that they include the standards of evaluating the executive performance of the General Director , and the financial and managerial performance of the bank obliging him to apply the Sharia controls at the bank and the extent of the performing the medium term and long term plans and strategies and inform the Central Bank of the result of such appraisal.
  - e. The Board shall adopt a system to assess the performance of the bank administrators other than the Board of Directors 'members and the General Director , provided that such system shall include the following as a minimum:
    - e.1. An appropriate weight shall be given to assess the commitment performance in the framework of the Risk Management Work and the application of the internal controls and the organizational requirements.
    - e.2. The total income or profit shall not be the only element to assess performance, but other factors shall be taken into consideration when assessing the administrators' performance such as risks connected with the basic operations and the client satisfaction and others.
    - e.3. Authorities and interests conflicts shall not be exploited.

### Article (16)

#### Financial Remuneration of the Board of Directors and Administrators and Fees of the Sharia Board

- a. The Board of Director sets procedures to specify the remunerations of its members depending on the evaluation system that has been approved.
- b. The Board shall set procedures to specify the Sharia Board fees depending on the evaluation system that has been approved.
- c. The Committee of Nomination and Remuneration of the bank sets the policy of granting the administrators financial remunerations that are characterized with transparency and objectivity to be approved by the Board and to provide the Central Bank with a copy of it.
- d. The policy of granting financial remunerations shall have the following elements as a minimum:
  - d.1. The policy shall be prepared to keep qualified and skilled administrators with the necessary experience in order to polarize and motivate them and promote their performance.
  - d.2. The policy shall be designed in a way that insures it's not being used in a way that affects the solvency or reputation of the bank.

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- d.3. The policy shall take into consideration the risks and the liquidity situation and profits along with their timing.
- d.4. The element of granting remuneration shall not be based just on the current year's performance, but it shall be also based on the medium and long – term performance (3-5 years).
- d.5. The policy shall express the bank objectives, values and strategies.
- d.6. The form of the remuneration shall be determined as being in the form of fees or salaries or allowances or promotions or shares options or any other advantages.
- d.7. The possibility of deferring the payment of a reasonable percentage of the remunerations so that such percentage and the postponement period shall be determined on the basis of the work nature and risks and the activities of the concerned administrator.
- d.8. No financial remunerations shall be paid to the administrators of the supervisory departments (risk management, auditing, regulatory compliance and others) depending on the results of the actions of the departments they observe.

### Article (17)

#### Conflict of Interests

- a. The administrators and the Sharia Board shall avoid conflict of interests.
- b. The Board shall adopt a policy and procedures to address the conflict of interests and to disclose any conflict of interests that may arise from the Bank being connected with the companies inside the group.
- c. The Sharia Board shall adopt a policy and procedures to address the conflict of interests.
- d. The Board shall adopt a policy and procedures for interactions with those concerned so that they include definition of such parties taking into consideration the legislations and the terms of dealings and the procedures of approval and the mechanism of supervising such dealings, so that such adopted policies and procedures shall not be surpassed.
- e. The supervisory departments at the bank shall confirm that the transactions of those concerned have been accomplished according to the adopted policies and procedures. The Auditing Committee shall revise all the transactions of those concerned and supervise them, and inform the board of such transactions.
- f. The Board shall confirm that the High Executive Management implements the adopted policies and procedures.
- g. The Board shall adopt controls of the information transfer movement among the various managements to prevent their exploitation for a personal interest.
- h. The Board shall adopt policies and a charter for the professional behaviour and publish it to all those concerned provided that they include the following:
  - h.1. No administrator shall exploit any internal information of the bank for their own interest.
  - h.2. Foundations and procedures to organize transactions with those concerned.
  - h.3. Conditions which may result in interests' conflicts:
- i. The Board shall confirm that the Executive Management enjoys a high level of integrity in performing their work and in avoiding the interests' conflicts.

### Article (18)

#### Internal Auditing

##### **First, The Board of Directors shall do the following:**

- a. Confirm that the internal Auditing Department at the Bank is capable of achieving the following tasks as a minimum:
  - a.1. Check of availability of control and monitoring systems and adequate internal supervision of the Bank activities and the affiliate companies availability and compliance with.

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- a.2. Check the compliance to the Bank internal policies and the International standards and the relevant legislations.
- a.3. Audit the financial and managerial issues in a way that insures that the major information regarding the financial and managerial issues are accurate, reliable and timely.
- a.4. Revise the commitment to the Corporate Governance Guide.
- a.5. Revise the validity and comprehensiveness of the stress tests, in a way that agrees with the approach adopted by the Board.
- a.6. Insure the accuracy of the procedures followed in the process of internal evaluation of the Capital Sufficiency of the Bank (ICAPP).
- b. Secure and foster the independence of the internal auditors, and give them an appropriate position at the job hierarchy of the bank, to insure that they are qualified to perform their duties, including their right to approach all the registers and information and contact any employee inside the Bank to be able to perform the tasks assigned to them and to prepare their reports without any external interference.
- c. Take the necessary procedures to foster the efficacy of the internal auditing through:
  - c.1. Giving the necessary importance to the process of auditing to establish that in the Bank.
  - c.2. Follow up the correction of the auditing remarks.
  - c.3. Adopt an internal auditing charter which includes the tasks and powers and responsibilities of the Auditing Department and circulate it inside the Bank.
  - c.4. Check that the internal auditing management is subject to direct supervision of the Auditing Committee, and that they submit their reports directly to the Head of the Auditing Committee and to the General Director .

### **Second, The Auditing Committee performs the following:**

- a. Check that sufficient provisions and adequate number of qualified staff are available to manage and train the internal auditing department.
- b. Check that the employees of the internal auditing are rotated on the auditing of the bank activities every three years as a maximum.
- c. Check that the auditing employees are not assigned to do any executive tasks.
- d. Check that all the bank activities are subject to auditing including those assigned to external parties.
- e. Evaluate the Director's performance and the employers of the internal auditing to determine their remunerations.

## Article (19)

### **Internal Sharia Auditing**

#### **First, The Sharia Board does the following:**

- a. The Sharia Board shall insure that the Internal Sharia Auditing at the Bank is capable of achieving the following tasks as a minimum:
  - a.1. Check and evaluate the efficacy and sufficiency of the Internal Sharia Auditing at the Bank.
  - a.2. Follow up that the Bank management adheres to the Sharia parts and Fatwa and the resolutions issued by the Sharia Board.
  - a.3. Set a plan for the annual Sharia auditing provided that it is adopted by the Sharia Board, and being obliged to implement its items.
  - a.4. Check the liabilities and funding classified within the category of "Non-Performance Facilities" or those which it has been decided to write them off, and those funded by the joint investment accounts to check of not having trespass or negligence of the bank.
  - a.5. Determining and overseeing the deposition of non-Sharia compliant earnings according to Sharia Board decisions.

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- a.6. Check that the executive management sticks to the policy which organizes the relationship between the shareholders and the investment accounts holders, in particular check the basics of profit dividends.
- a.7. Appraise the performance of the Manager and employees of the Internal Sharia Auditing and determine their remunerations with the co-ordination of the committee of Nominations and Remunerations.

### **Secondly, The Board does the following:**

- a. Secure and foster the independence of the Internal Sharia Auditors by giving them an appropriate position at the Bank hierarchy in addition to insuring that they are qualified to carry out their duties including their right to reach all the registers, information and contacting any employee at the Bank so that they can achieve the tasks assigned to them and prepare their reports without any external intervention
- b. Take the necessary procedures to foster the efficacy of the Internal Sharia Auditing through:
  - b.1. Give the necessary importance to the process of the internal auditing and establish it at the Bank.
  - b.2. Follow up the correction of the Internal Sharia Auditing remarks.
- c. Check the availability of adequate materials and number of qualified staff to administer and train the Internal Sharia Auditing. Those working at the department shall have the minimum of the following requirements:
  - c.1. An appropriate university degree along with knowledge of the origins of the Islamic dealings and the terms of every contract and the reasons behind its being void.
  - c.2. The employee shall have experience and knowledge of standards issued by the (AAOIIFI).
- d. Check the rotation of the employees of the Internal Sharia Auditing on auditing the Bank activities every three years as a maximum.
- e. Check that the employees of the Internal Sharia Auditing are not assigned of any executive tasks.
- f. Check that all the Bank activities are subject to Internal Sharia Auditing at the Bank include those assigned to external parties.
- g. Adopt the Internal Auditing Charter which includes the tasks, powers, and responsibilities of the Department of Sharia Auditing to be circulated inside the Bank.
- h. Check that the Internal Sharia Auditing is subject to direct supervision of the Sharia Board and that reports are submitted to the Chairman of the Sharia Board along with submitting copies of them to the Auditing Committee and the General Director.

### **Article (20)**

#### **External Auditing**

- a. The Board ensure periodic rotation of the employees of the External Sharia Auditing among the auditing offices and the affiliate companies or associated with it in any way every seven years as a maximum, starting from the date of election.
- b. The period of seven years is calculated at the beginning of the application as from (2010).
- c. The first year (of rotation) for the new office shall be implemented jointly with the old office.
- d. No old office shall be re-elected before the passage of at least two years as from the day of its last election at the Bank other than the task of joint auditing.
- e. The Sharia Board shall with the co-ordination of the Committee of Auditing check that the external auditor has revised the efficacy and sufficiency of the Internal Sharia Auditing system at the Bank.
- f. The Auditing Committee shall check the independence of the external auditor every year.
- g. The Board of Directors shall take the appropriate procedures to remedy the points of

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weakness at the systems of internal control and supervision or any other points shown by the external auditor.

### Article (21) Risk Management

#### **First, the Board perform the following:**

- a. Check that trespasses are addressed at the levels of acceptable risks, including the accountability of the High Executive Management concerned with such trespasses.
- b. Check that Risk Management carries out stress test conditions periodically to assess the Bank capability to bear checks and encounter high risk and that the Board shall have a major role in adopting hypotheses and scenarios used and discussing the test results and adopting procedures to be taken based on such results.
- c. Adopt the approach of internal auditing of the sufficiency of the Bank Capital, so that such approach shall be comprehensive, effective and capable of determining all the risks including the Sharia risks that the bank may encounter, taking into account the strategic plan of the bank and the Capital plan. This approach shall be periodically revised to check its application and check that the bank keeps an adequate capital to face all the tasks encountered.
- d. Take into consideration the risks resulting from that and the capability and qualification of the risk management employees before approving any extension of the Bank activities.
- e. Secure the independence of the Risk Management at the Bank through submitting its reports to the Committee of Risk Management along with giving it the necessary powers to enable them obtain the information from the other departments and to co-operate with the other committees to perform their tasks.
- f. Adopt the accepted Risk Document at the Bank.

#### **Second, as a minimum the tasks of the Risk Management shall be the following:**

- a. Control the Bank executive departments' adherence to the acceptable risk levels.
- b. Revise the framework of the Risk Management at the Bank before the Board's approving it.
- c. Implement the strategy of Risk Management in addition to the development of policies and work procedures to manage all kinds of risks.
- d. Develop approaches to define, assess, monitor and control all kinds of risks.
- e. Submit reports to the Board of Directors through the Committee of Risk Management along with submitting a copy to the High Executive Management that includes information about the actual risk system of all the Bank activities compared with the document of acceptable risks and following up the remedy of the negative deviations.
- f. Check the complementary of the mechanisms of risk assessment with the adopted information management systems.
- g. Investigate and analyse all kinds of risks that the Bank encounters.
- h. Provide recommendations to the Committee of Risk Management about the Bank encountering risks, register cases of exemptions from the risk management policy.
- i. Provide the necessary information about the Bank risks to be used for disclosure purposes.

### Article (22) The Department of Regulatory Compliance Department

#### **First, The Board does the following:**

- a. Insure the independence of the Regulatory Compliance Department, so that it contains a section for Sharia Compliance and secure its continuity through supporting it with adequate trained staff.
- b. Adopt a policy to insure the Bank adherence to all related legislations, Fatwa and

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resolutions issued by the Sharia Board; periodically revise such policy to insure its application.

- c. Adopt the tasks and responsibilities of the Regulatory Compliance Department.

**Second**, The Regulatory Compliance Department submits its reports to the Sharia Board and the Auditing Committee and send a copy thereof to the General Director.

### Article (23)

#### Stake Holders Rights

##### The Board perform the following:

- a. The Bank provides a specific mechanism to insure communication with stake holders through disclosure and to provide contextual information about the Bank activities for the stake holders through:
  - a.1. The General Assembly Meetings.
  - a.2. The annual report.
  - a.3. Semi-annual reports.
  - a.4. The website of the Bank.
  - a.5. The shareholders' relations Section/The Board Secretary.
- b. Ensure that the bank allocates a part of its website including a clarification of Shareholders rights encouraging them to attend the meetings of the general assemblies and to vote, in addition to publishing the bonds related to the meetings including the full text of the invitation and the meeting minutes.
- c. Ensure that the bank allocates a part of its website including a clarification of Investment Accounts' Holders rights and publish the policy that organizes the relationship between the Bank and the Investment Accounts Holders so that it includes quality and quantity disclosures.

### Article (24)

#### Transparency and Disclosure

- a. The Board shall insure publishing the financial and non-financial information that stake holders care about.
- b. The annual report of the bank shall include a provision stating that the Board is responsible for the adequacy and accuracy of the Bank financial statements and for the information provided in that report and for the sufficiency of the control and monitor internal systems and sharia controls.
- c. The Board shall insure the Bank adherence to the disclosures issued by the Auditing Organization For Islamic Financial Institution (AAOIFI) provided adherence to the disclosures specified by the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in case of not having indicators for the Islamic establishments and in a way that agrees with Sharia indicators until the time Islamic indicators are issued for it and the instructions of the Central Bank and other related legislations, and insure that the Executive Management is aware of the changes that take place in the indicators issued by the Auditing Organization For Islamic Financial Institution (AAOIFI) and International Financial Reporting Standards (IFRS).
- d. The Board insures that the annual report of the Bank and the semi-annual reports include disclosures that allow current and potential shareholders be advised of the operations results along with the financial and Sharia situation of the Bank.
- e. The Board and the Sharia Board insure that the Board insures that the annual report of the Bank include disclosures that allow current and potential investment accounts holders be advised of the operations results along with the financial and Sharia situation of the Bank.
- f. The Board of Directors insures that the annual report includes the following as a minimum:
  - f.1. A synopsis of the Organizational Structure of the Bank.

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- f.2. A synopsis of the tasks and responsibilities of the Board Committees and any powers commissioned by the Board to such committees.
- f.3. The Information that is of importance to stake holders illustrated in the Corporate Governance Guide of the Bank and the period of being committed to implement what has been mentioned in the Guide.
- f.4. Information about all the Board members regarding the qualifications and experience and his shareholding of the Bank Capital and whether he is independent or not and his membership in the Board Committees, the date of appointment and any other memberships he occupies in the field of managing other companies, and all kinds of remunerations he received from the Bank of the previous year, and the funding granted to him from the Bank and any other operations carried out between the Bank and the Member or any parties related to him.
- f.5. Information about all the Sharia Board members regarding the date of appointment and the jobs he occupies outside the Bank.
- f.6. Information about Risk Management including its structure and the nature of its job and the changes that have taken place on them.
- f.7. The number of meetings of the Board of Directors and its Committees and the number of each member's attendance of such meetings.
- f.8. The names of all the resigned Board Members and the executive management members during the year.
- f.9. A synopsis of the policy of granting the remunerations at the Bank, with the disclosure of all kinds of remunerations granted to the Board members each on its own and all Fees granted to the Sharia Board each on its own, and all kinds of remunerations granted to the High Executive Management members each on its own in the previous year.
- f.10. The names of Shareholders who own 1% or more of the Bank capital, and specifying the end beneficiary of all or part of such shareholding whether such shareholdings were wholly or partly mortgaged.
- f.11. Acknowledgments of all the Board members and the Sharia Board members that the member has not received any benefits through working at the Bank without disclosing whether such benefits were materialistic or in kind, or to any of those related to him for the previous year.

### Article (25)

#### General Provisions

- a. The Chairman of the Board shall send an invitation to the Central Bank to attend the Meetings of the General Assembly an enough time ahead to nominate who will represent them.
- b. The Chairman shall provide the Central Bank with the minutes of the General Assembly meetings within a period of no more than 5 days as from the date of ratification of the Companies Controller or whoever represents him on the meeting minutes.
- c. The Bank shall advise the Central Bank at least 30 days ahead of the date of the General Assembly meeting of his desire to nominate the external auditor to be elected or re-elected by the General Assembly.
- d. The Bank shall provide the Central Bank with the information related to the Board members, the immerging committees, the Sharia Board members and the members of the High Executive Management semi-annually and whenever a modification is made.
- e. The Bank shall provide the Central Bank with the information related to the Management Boards members, and or the Managers Bodies and the members of the High Executive Management of the affiliate companies inside and outside the Kingdom semi-annually and whenever a modification is made.