

2020

**Corporate Governance
Manual**

بنك صفوة الإسلامي
Safwa Islamic Bank



Corporate Governance Manual

For

Safwa Islamic Bank

2020

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Introduction

This corporate governance manual has been prepared in line with the modified instructions of the Islamic Bank's corporate governance No (64/2016) issued by the Central Bank of Jordan dated 25/9/2016, as well as the corporate governance principles issued by the Organization of Economic Cooperation & Development (OECD) and the directions issued by Basel Committee with a view to reinforce the corporate governance in banking institutions and in conformity with the applicable banking best practices in a manner to coincide with the Bank's needs and policies.

The application of corporate governance within the Bank provides a basis for future corporate development and performance; supports confidence in the Bank's activities and dealings, and enables the Bank to successfully contribute to the Jordanian banking system development which would enhance the efficiency of the National Economy and create an atmosphere of assurance to both the shareholders and clients.

This manual is based on a number of key principles that will effectively contribute to the application of the best practices of the corporate governance within the Bank, most notably:

- ❖ Fairness in dealing with all stakeholders like: depositors, shareholders, funders, Bank employees, and control authorities.
- ❖ Transparency and disclosure in a manner that enables related parties of evaluating the Bank's position and financial performance.
- ❖ Accountability in the relationship between the Bank's executive management and the Board of Directors; the Board of Directors and the shareholders; and the Board of Directors and other related parties.
- ❖ Responsibility in terms of clear segregation between responsibilities and delegation of powers.



Article 1: Definitions

The following words and phrases, wherever remunerated in this manual, shall have the meanings ascribed hereunder:

Phrase	Definition
Corporate governance	The system that guides and manages the Bank and aims to define and achieve the Bank's corporate objectives, in order to safely manage its operations and safeguard interests of the depositors and holders of investment accounts, and to comply with the due liability vis-à-vis shareholders and other stakeholders, and the Bank's commitment with its policies and internal regulations.
Suitability	Existence of certain requirements among the Bank's board members, its top executive management, and members of the Sharia Supervision Board
Board (BOD)	The Bank's Board of Directors
The Authority	The Sharia Supervision Board of the Bank
Stakeholders	Any party of interest in the Bank like the depositors, holders of investment accounts, shareholders, employees, creditors, clients, or the concerned control authorities.
Major shareholder	The person who holds 5% or more of the Bank's capital whether directly or indirectly
Executive director	A member of the board of directors who participates in the daily operations of the Bank and receives payments for his work.
Independent member	A member of the board of directors who is not subject to any influences that limit his ability to make objective decisions for the interest of the Bank, and possesses the requirements set forth in this manual.
Top executive management	Includes the general Manager of the Bank, deputy general manager, CFO, Chief operations officer, chief risk officer, chief internal audit officer, director of Sharia internal



audit department, chief treasury officer (investment), chief compliance officer, in addition to any Bank employee assuming executive authority equal to any of the authorities of any of the aforementioned and reports directly to the general manager without contravening the human capital policies.

Article 2: Dissemination of Corporate Governance Manual

Safwa Islamic Bank shall post its manual on its website and disseminate it in any other mean suitable to introduce it to the public. The Bank discloses in its annual report the existence of the corporate governance manual and discloses the information that concerns the stakeholders including the Manual as well as the extent of commitment to applying its provisions.

Article 3: Composition of the Board of Directors

- a- The number of the Board Members should not be less than eleven.
- b- None of the members may be an executive director.
- c- The number of independent directors may not be less than four.
- d- The conditions to be met and satisfied by the independent directors are as follows:
 - 1) The member was/is not an executive director in the Board during the three years preceding his election,
 - 2) The member was not employed by the Bank or by any of its subsidiaries during the last three years preceding his election.
 - 3) The member is not related to any of the other Board members, or to any member of the Board of directors of the Bank's subsidiaries or to one of the major shareholders in the Bank in any kinship up to the second degree.
 - 4) The member has no relatives among the members of the top executive management of the Bank or any member of the top executive management of the Bank's subsidiaries up to the second degree.



- 5) The member is not a partner or employee of the external auditor of the Bank or was not a partner or employee during the three years preceding the date of his/her election as a member of the Board and he has no kinship with the partner in charge of the audit process up to the first degree.
- 6) The member is not a major shareholder in the Bank or proxy of a major shareholder or an ally to a major shareholder in the Bank, or his/her contribution with the ally contribution would constitute an amount equal to a major shareholder's share or a major shareholder in one of the Bank's subsidiaries, Or a main shareholder in the Bank's ownership group.
- 7) The member has not assumed membership of the Bank's Board of director or its subsidiaries or has not been a Board director for more than eight consecutive years.
- 8) The member or any company in which he is a director of the Board or owner thereof or a major shareholder therein has not received a trust from the Bank in excess of 5% of the subscribed capital of the Bank and he/she is not a guarantor of a facilities from the Bank of value that exceeds that percentage.
- 9) The member is highly qualified and experienced in financial and banking matters.

Article 4: Meetings of the Board of Directors

- a) The Board of Directors shall hold their meetings by written invitation from the Chairman of the Board of Directors or his deputy, Or by a written request to the Chairman of the Board of Directors from at least the quarter of its members, In the attend of the absolute majority of its members.
- b) The board shall take its decisions by the absolute majority of the members. If the votes are equal, the side voted by the head of meeting shall prevail.
- c) The Board of Directors shall hold at least one meeting every two months, in total six meetings at least through financial year.



- d) Members of the Board shall attend the Board's meetings in person, if the member cannot personally attend the meeting; the member may express his/her viewpoint via phone or videoconference, after obtaining the consent of the Chairman of the Board, but without having the right to vote or sign the minutes of meeting.
- e) The Bank shall record the minutes of meetings of the Board and its committees comprehensively and accurately as well as any reservations raised by any member. The Bank shall properly maintain such minutes of meetings.
- f) The top executive management, in an adequate time prior to the Board's meeting, shall provide the Board's members with complete and accurate information about the items of the meeting's agenda; the Chairman shall verify such action.

Article 5: General Assembly Meeting

- a) The General Assembly shall consist of all shareholders entitled to vote.
- b) The General Assembly of the Bank should hold an ordinary meeting at least once a year, the meeting must be held within the four months following the end of the bank's financial year, also the General Assembly of the Bank may hold an abnormal meeting at any time in accordance with the applicable regulations.
- c) The Board of Directors should invite the Jordanian Securities Commission and each shareholders to attend the General Assembly meeting by hand or by registered mail or e-mail of the shareholder at least 21 days before the date of the meeting, Providing the appropriate arrangements and procedures for holding the meeting, including the choice of place and time, must be will prepared to encourage the invited attendance as many shareholders as possible.
- d) The date and place of the meeting should be mentioned in the invitation with the General Assembly agenda as attachment, including the points that will be discussed during the meeting in a detailed and clear manner, in addition to any documents or attachments related to these subjects.



- e) To include any new topics during the General Assembly meeting that is not mentioned in the agenda of the General Assembly, which has been sent previously to the shareholder
- f) The shareholder who desires to be nominated to the Board of Directors shall provide the Bank with a brief identification before the end of the financial year of the Bank which precedes the year in which the meeting of the General Assembly to elect the Board of Directors, In this case, the Board of Directors should attach this brief identification with the invitation to shareholders who will attend the meeting of the General Assembly, The Bank should inform all those who desires to be nominate that there is evidence that the Central Bank of Jordan has non-objection to their candidacy, The Bank shall obtain the non-objection of the Central Bank of Jordan to nominate them before the date of the General Assembly meeting of the shareholders of the Bank for a period of not less than two weeks.
- g) The Board of Directors should announce the date and place of the General Assembly meeting in two daily local newspapers and at least two times and on the Bank's website.
- h) The shareholder may delegate another shareholder to attend the meeting of the General Assembly on his behalf by a power of attorney or to appoint another person under legal Power of attorney, in accordance applicable regulations.
- i) The meeting of the General Assembly must be leaded by the Chairman of the Board of Directors or his Deputy in the absence of him, or by any delegate member by the board of director in their absence, The members of the Board of Directors must also attend the General Assembly meeting at no less than the limit which achieves the quorum for any Board meeting.
- j) The General Assembly must be managed in a manner that allows shareholders to actively participate and express their views freely, to receive answers to their questions and to provide sufficient information to enable them to make their decisions.

**Article 6: Duties and Responsibilities of the Board**

- 1) The Board shall oversee and follow-up the top executive management's performance and ensure integrity of the Bank's financial situations and its solvency. It shall adopt proper policies and procedures to oversee and control the Bank's performance.
- 2) The Board shall define the strategic objectives of the Bank and instruct the executive management to set a strategy to achieve these objectives, approve it together with any business plan in line with that strategy.
- 3) The Board shall endorse a policy to monitor and review the executive management's performance through setting the key performance indicators (KPIs) to determine, measure, and monitor the performance and progress towards achieving corporate objectives.
- 4) The Board shall ensure that the Bank has policies, procedures and action plans which include all the activities. The policies, procedures and action plans should be in line with the related regulations, circulated to all administrative levels, and regularly reviewed.
- 5) The Board shall determine the corporate values of the Bank; set clear lines of responsibility and accountability to all Bank's activities, and shall establish a high culture of ethical, impartial, and professional conduct standards among the managers of the Bank.
- 6) The Board shall assume liability for integrity of all the operations of the Bank, including the financial situation; liability for implementing requirements set forth by the Central Bank as well as the requirements of the other regulatory and control authorities, and shall observe the stakeholders and that the Bank is managed and governed under the framework of regulations and policies of the Bank and the effective control is in place at all times over the Bank's activities including those outsourced to external parties.
- 7) The Board shall, based on recommendations submitted to it by the competent committee, appoint the internal audit manager, the head of the risk management, and compliance officer and accepts their respective resignations or service termination. (Regarding the internal sharia auditing manager, the recommendation shall be given to the Board by the Sharia Supervision Board). The Central Bank's approval on the resignation or



service termination of the above-mentioned should be obtained. The Central Bank is entitled to investigate the reasons behind the resignation or service termination of any management member.

- 8) The Board shall adopt internal control regulations; review them annually and make sure that the internal auditor and external auditor review the structure of these regulations at least once a year.
- 9) The Board shall ensure independence of the external account auditor at all times.
- 10) The Board shall ensure independence of the Sharia Supervision Board members from commencement and at all times in accordance with the conditions set forth in this manual.
- 11) The Board shall adopt and oversee the implementation of a risk management strategy. The proposed strategy includes level of risk appetite and ensures that the Bank will not be prone to high risks. The Board should be familiar with the operating business environment of the Bank and the associated risks; to ensure the presence of appropriate risk management tools and infrastructure in the Bank in order to determine, measure, control, and oversee all kinds of risks which the Bank is exposed to.
- 12) The Board shall ensure that the adequate and reliable management information systems (MIS) are in place and are covering all the Bank's activities.
- 13) The Board shall verify that the Bank's credit policy includes an assessment of the type of corporate governance used by companies' clients not least the public joint stock companies so that the risks to the clients may be assessed by strengths and weaknesses in accordance with their exercising in the governance field.
- 14) The Board shall make sure that the Bank adopts proper social initiatives in the field of environment protection, health, and education and observes the provision of funding to the small and medium-sized businesses at appropriate prices and terms.
- 15) The Board shall take the necessary procedures to create a clear segregation between the authorities of shareholders' who own influential interests and the executive management; with a view to promote the sound corporate governance. It shall find proper mechanisms to eliminate impacts of



shareholders who own influential interests through the following, examples include but are not limited to:

- a) None of the shareholders who possess an influential interest may hold a job in the top executive management.
 - b) The top executive management shall derive its authority only from the Board and shall work within the delegations granted to it by the Board.
- 16) The Board shall adopt the organizational structure of the Bank setting out the admin hierarchy including the committees of the Board, Sharia Supervision Board, and executive management.
 - 17) The Board shall determine the banking operations that require its approval taking into account the non-expansion thereof in order not to violate the control role of the Board. The Bank shall not delegate executive authorities to the Board's directors, or the Chairman, including the authority to individually grant credit.
 - 18) The Board set special internal charter to be reviewed on an annual basis, specifying in details the functions and Permissions authority of the Board of Directors and its responsibilities.
 - 19) The Board adopt the Governance Report and includes it in the Bank's Annual Report.
 - 20) The Board appoint a contact officer with the Jordan Securities Commission to oversee matters related to the Bank's governance Implementations.
 - 21) The Board adopt the Bank's disclosure and transparency policy and follow up its implementation in accordance with the requirements of the Regulators and the applicable regulations.
 - 22) The Board set a clear delegation policy in the Bank specifying the authorized persons and the limits of delegated authority.
 - 23) The Board adopt the replacement and career progression policy and adopt the Human Resources and Training Policy in the Bank.
 - 24) The Board adopt the Bank's social responsibility policy and programs towards the local community and the environment.
 - 25) The Board set up a mechanism to receive complaints and Suggestions that submitted by the shareholders, in addition to their Suggestions for including a specific topics on the agenda of the General Assembly, in a manner that ensures consideration and appropriate decision on them within a specified period.



- 26) The Board set up a mechanism to allow shareholders who holding at least 5% of the Bank's underwriting shares to add items on the agenda of the Ordinary General Assembly Meeting before sending it to the shareholders, and should Provide the Securities Authority with this mechanism.
- 27) The Board set a policy that regulates the relationship with the stakeholders to ensure the implementation of the Bank's obligations towards them, the preservation of their rights, the provision of the necessary information and the establishment of good relations with them.
- 28) The Board evaluate the implementation of the provisions of the Corporate Governance of listed companies and review them annually, in a manner not conflict with the amended instructions of the institutional governance of Islamic banks.
- 29) In case of any conflict between the recommendations of any of the Committees and the board's decisions, the Board shall include in the Governance Report a statement clearly detailing these recommendations and the reasons for non-compliance by the Board.
- 30) The Bank shall determine the duties of the Secretary of the Board so that they include the following:
- Attends all the Board's meetings; record all deliberations, suggestions, objections, and reservations, along with the voting means on the draft decisions of the Board.
 - Determines the dates of the Board's meetings in coordination with the Chairman.
 - Ensures that the members of the Board sign the minutes of meetings and decisions.
 - Follows up the implementation of the decisions passed by the Board, and follows up the tackling of any topic that was not brought up in previous meetings.
 - Keeps records and documents of the Board's meetings.
 - Takes necessary procedures to ensure that the draft decisions intended to be passed by the Board are in harmony with the legislations.
 - Prepares for the ordinary general meetings and cooperates with the Board's committees.
 - Provides the Central Bank with the proper declarations signed by the members of the Board.



- 31) Members and committees of the Board must have direct communication with the executive management and secretary of the Board and facilitate their undertaking of the duties and tasks vested in them including outsourcing, when needed, at the expense of the Bank in coordination with the Chairman while making sure none of the members may influence the decisions of the executive management except through deliberations held within the meetings of the Board or its committees.
- 32) The Board shall undertake the following:
- a) Ensures the presence of a suitable Sharia Supervision Board, and Sharia Controls system that includes the internal Sharia regulatory system through ensuring the existence of an effective Sharia supervision independent from all the Bank units.
 - b) Verifies that all banking activities are carried out in accordance with the provisions of Islamic principles, in particular Sharia Fatwas and Sharia decisions issued by the Sharia Supervision Board.
 - c) Ensures that the Sharia Supervision Board is provided with adequate, necessary, and timely information in order to assist it to exercise its duties and assignments represented in verifying the extent of the Bank's commitment by the provisions and principles of Islamic sharia, and formulating an independent opinion in this regard.
 - d) Ensures having opinion of the Sharia Supervision Board pertaining to all contracts, transactions, agreements and products, services, investment policies, dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
 - e) Adopts policy to regulate relations between the Bank/shareholders, and holders of investment accounts provided that it is reviewed by the Sharia Supervision Board. The Bank shall be committed by posting the policy on its website.
 - f) Approves the policies and procedures manual relating to the compliance with the provisions of Islamic principles provided that the manual shall at least include the following:
 - 1) A mechanism to present any related topics to Sharia Supervision Board for Sharia Fatwa and/or decisions thereabout.
 - 2) Manual/procedures of the Sharia Supervision Board business.



- 3) Mechanism to ensure compliance with the Sharia Fatwas or decisions issued by the Sharia Supervision Board.
 - 4) A mechanism to facilitate the communication between the different units of the Bank and the clients with the Sharia Supervision Board.
 - g) Ensures the presence of a mechanism to provide the Bank clients, upon request, with explanations to any Sharia Fatwa issued by the Sharia Supervision Board.
 - h) Commit by posting Sharia Fatwas and decisions issued by the Sharia Supervision Board on the Bank's website, and in case of bringing up a product or service or adapting a remedy or a mechanism pertaining to the product or service for which Sharia Fatwas and decisions have been issued, they shall be disseminated within a period of no more than six months from the bringing up/adoption date.
 - i) Ensures compliance with the control standards issued by the accounting and auditing organization for the Islamic financial Institutions.
- 33) The Chairman of the Board shall, at minimum, undertake the following:
- a) Be keen to establish constructive relations between the Board and the executive management within the Bank.
 - b) Be keen to establish constructive relations between the Board and Sharia Supervision Board, and between the Sharia Supervision Board and the executive management of the Bank.
 - c) Encourages constructive criticism of issues addressed in general and those having different viewpoints between the members, and encourages discussions and voting on such issues.
 - d) Ensures that all previous minutes of meetings are received by the Board members and to be signed, and agendas are delivered within an adequate time before any meeting. The agenda shall include adequate written information about the subjects to be discussed in the meeting. Delivery of the agenda is the responsibility of the secretary of the Board.
 - e) Ensures a charter regulating the Board business is in place and identified.
 - f) Discusses exhaustively the strategic and important issues in the Board's meetings.
 - g) Provides the board members, when elected, with the provisions of laws relating to the Bank's activities and relevant instructions of the Central



Bank including these instructions as well as a manual showing the members' rights, responsibilities, and duties together with the duties, tasks, and assignments of the secretary.

- h) Provides every member of the Board with an adequate summary of the Bank's businesses upon appointment or upon request.
 - i) With the help of the legal counsel of the Bank, deliberates with any new member about tasks and responsibilities of the Board in particular those pertaining to the legal and regulatory requirements to explain tasks, powers, and other issues related to the Board membership such as the duration of membership in the Board, meetings schedule, committees missions, remunerations, and possible access to independent specialized technical advice when necessary.
 - j) Meets the needs of the Board members in connection with upgrading their experience and continued learning. The new member shall be given the chance to attend orientation programs that consider the banking background of the member, provided that such program should, as minimum, include the following subjects:
 - 1) The Bank's organizational structure, corporate governance, and the professional code of conduct and ethics.
 - 2) Corporate objectives and the Bank's strategic plan and approved policies.
 - 3) The financial situation of the Bank
 - 4) The Bank's risk structure and its risk management framework.
 - 5) Sharia controls.
- 34) Each member of the Board shall undertake, as minimum, the following:
- a) Be familiar with the Islamic banking business-related regulations and principles, and the Bank's operating environment; keep abreast of the developments taking place as well as the external updates that are related to its business including recruitment requirements for of the top executive management of the Bank.
 - b) Attends meetings of the Board and its committees, as the case may be, along with the general assembly meetings.
 - c) Not to disclose any confidential information of the Bank or use it for his/her own interest or the interest of others.



- d) In all transactions made with any other company in which he/she has a personal interest, the interest of the Bank shall prevail. Never take the business opportunities of the Bank for his/her own interest. Avoid conflict of interests and disclose any conflict of interest to the Board in details if happened while committing not to be present or not to take part in the decision passed during the meeting in which this subject is discussed and deliberated. Such disclosure should be recorded in the minutes of the Board's meeting.
- e) Have enough time to undertake his tasks as a member of the Board.

The nomination and remuneration committee shall set in place a clear methodology to verify the above-mentioned including (for example) the members' relations and membership in other boards/authorities/forums...*etc.*

Article 7: Limits of liability and accountability

- a. The Board of Directors should adopt a clear limits of liability, accountability, and commitment. All managerial levels of the Bank shall abide by those limits.
- b. The Board must ensure that the organizational structure clearly reflects lines of responsibility and authority provided that it includes at least the following regulatory levels:
- 1- Board of Directors and its committees.
 - 2- Sharia Supervision Board.
 - 3- Separate departments of risks, compliance, internal audit, and Sharia internal audit which do not perform daily executive activities.
 - 4- Units/employees that do not participate in the daily operations of the Bank activities (such as credit audit officers and Middle Office employees).
- c. The Board must ensure that the top executive management assumes their responsibilities pertaining to the daily operation management of the Bank and contributes the implementation of the corporate governance, it delegates authorities to the officers, establishes an effective managerial structure that would enhance accountability, and implements tasks and missions of the various business activities and fields in conformity with the policies and



procedures approved by the Board as well as the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.

- d. The Board shall adopt regulatory and Sharia controls to hold accountable the top executive management.
- e. Despite the provisions of the Companies' Law, the combination between the positions of Chairman and general manager shall be prohibited, and the Chairman or any of the Board's directors or major shareholders may not have kinship with the general manager below the fourth degree.
- f. The general manager shall, in addition to the provisions of regulations, undertake the following:
 - 1- Develop the strategic orientation of the Bank
 - 2- Implement the Bank's strategies and policies
 - 3- Carry out the decisions of the Board of Directors
 - 4- Implement and comply with the resolutions and Sharia Fatwas issued by the Sharia Supervision Board.
 - 5- Provide guidance to implement short and long term business plans.
 - 6- Communicate vision, mission and strategy of the Bank to the staff members
 - 7- Notify the Board of all the important aspects of the Bank's operations
 - 8- Manage the Bank's day-to-day operations.

Article 8: Board of Directors Committees

The Board of Directors shall form committees from among its members and determine their objectives and delegates authorities to them in accordance with a charter setting out the same. The committees submit periodic reports to the Board and a report on their work to Ordinary General Assembly meeting. Existence of such committees may not relieve the Board as whole from assuming its Commitments each committee shall take its decisions and recommendations by the absolute majority of the members. If the votes are equal, the side voted by the Chairman of the Committee shall prevail The Board shall form, as minimum, the following committees:

**a) Corporate Governance Committee:**

1. The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman.
2. The Committee must meet at least twice a year or at the request of its Chairman.
3. The committee must assume guiding and overseeing the preparation of the corporate governance manual, and updates and controls its implementation, and prepare and submit a governance report to the board, And studying the Jordanian Securities Commission's observations regarding the implementation of governance in the Bank and following up on what has been done

b) Audit Committee (AC)

1. Subject to the provisions of the Banking Law, The committee must be composed at least of three members (most of the members shall be independent members) including the Chairman of the Committee, shall be independent members and the Chairman of the Committee shall not be the Chairman of the Board of Directors or the Chairman of any other Off the Board Committees.
2. The Committee must meet periodically, with at least four meetings a year.
3. All members of the committee should be holders of academic qualifications and have proper practical experience in accounting or finance or any other discipline or related similar fields. In case of lack of the proper Islamic Bank-related experience, they shall join the suitable training programs in accounting, audit and controls standards, and Islamic standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the standards issued by the Islamic Financial Services Board (IFSB).
4. Subject to the provisions of the Banks Law concerning the duties and authorities of the committee, the Audit Committee shall review the following matters:



- a- Scope, results, and adequacy of internal and external audit of the Bank.
 - b- Accounting issues of material impact on the Bank's financial statements.
 - c- The internal control systems in the Bank
5. The committee shall provide recommendations to the Board relating to the external auditor, his/her termination, remuneration and any other contracting-related conditions in addition to evaluating his/her independence taking into account any other activities assigned to him/her beyond the audit scope.
 6. The committee shall have the authority to access any information from the executive management and is entitled to call upon any Board member to attend its meetings provided that the same is mentioned in its charter.
 7. The committee meets the external auditor, the internal auditor, and the compliance officer at least once a year without the attendance of any member from the top executive management.
 8. The committee shall review and control procedures whereby the employee may confidentially notify of any error in the financial reports or any Sharia violations or any other matters. The committee shall ensure necessary arrangements for independent investigations and make sure that the results of the investigations are objectively pursued and addressed.
 9. The committee shall ensure the ability of the external auditor to audit the extent of the Bank's commitment to the Sharia controls and the conditions provided for in the engagement letter signed with the auditor and makes sure he/she is undertaking the same.
 10. The committee must make decisions regarding the requests of writing off debts partially or totally for all the facilities.
 11. The committee must ensure that there is no conflict of interest that may result from holding deals or contracts or projects by the bank with related parties.
 12. The work of any other committee may not be combined with the work of this committee.

C. Nomination & Remuneration Committee (NRC)



- 1- This Committee shall consist of at least three members, with the majority of the members of the Committee including the Chairman of the Committee being independent members.
- 2- The Committee shall meet periodically, with at least two meetings a year.
- 3- The NRC assumes the following tasks:
 - a- Identifies the persons qualified to enroll in the Board's membership taking into account the abilities and qualifications of the nominated persons. Further, in case of nomination for several times, the member's number of attendance cases and his/her effective participation in the Board's meetings shall be taken into consideration.
 - b- Identifies the persons qualified to join the Sharia Supervision Board, taking into account the abilities and qualifications of the nominated persons. Taking into consideration that the member of the Sharia Supervision Board should possess a jurisprudential talent conversant in understanding sedulous speech and able to work hard on jurisprudential matters and deriving from emerging issues. Further, the member should be characterized by Acumen and Vigilance, familiar with people's customs and conditions, watchful to their tricks in Forgery and to or changing speech in portraying illegal as legal. He should be versed in the country traditions and customs in order to understand intention of the persons who ask for Sharia Fatwa. Further, in case of nomination for several times, the number of attendance cases and the effective participation in the Sharia Supervision Board's meetings shall be taken into consideration.
 - c- Nominates the qualified persons to the Board to join the top executive management.
 - d- Ensures the Board members and members of Sharia Supervision Board attend workshops or symposiums on the banking matters specially the risk management, corporate governance, and the latest developments in the Islamic Banking business.
 - e- Defines whether the member satisfies the independent member's capacity taking into account the least conditions prescribed herein, and review the same annually, The Jordanian Securities Commission shall be notified in the event of the absence of independence status from any member of the Board.



- f- Follows specific and approved bases in evaluating the performance of the Board, Sharia Supervision Board and the general manager so that the performance evaluation standard is objective.
- g- The Committee should conduct an annual evaluation of the performance of the Board and its committees, provided that the Committee shall notify the Jordan Securities Commission of the outcome of this evaluation.
- h- Provides information and briefs about the background of certain important Bank topics to the Board members and Sharia Supervision Board members, upon request. Ensures that they continuously identify the latest subjects relating to the Islamic banking business.
- i- Ensures the existence of a remuneration policy to the Bank's Employees and that this policy is revised periodically and applied according to the committee recommendations to determine the salary of the general manager and the remaining top executive management along with other remuneration and benefits.
- j- The committee should set a policies of replacement, Career progression, human resources, and training at the bank and monitor its implementation, and review it annually.

d. Risk Management Committee

- 1- This committee shall be formed of at least 3 Board members, with one independent member. Members of the top executive management may join the committee as members.
- 2. The committee shall assume the following tasks:
 - a- Setting the Risk Management Framework (Risk Management Policy) at the Bank and review it annually.
 - b- Review the Bank's risk management strategy before being endorsed by the Board.
 - c- Keep abreast of developments that would affect the risk management in bank and submit periodic reports thereabout to the Board.
 - d- Verify absence of variations between actual risks taken by the Bank and risk appetite approved by the Board.



- e- Set up the proper circumstances to identify Substantial Risks and any activities carried out by the Bank that would expose it to greater risks than the risk appetite; submit reports to the Board accordingly and follow manipulation thereof.
- f- To monitor and evaluate the various types of risks that the Bank might face

It is prohibited for any member of the Board to be a Chairman for more than one committee of the above-mentioned committees. It is also prohibited for him/her to be a Chairman for more than two committees of all the Board's committees.

e. Facilities Committee:

1. The committee must be formed from five board member, one of the members may be an independent member provided that he/she is not a member in the audit committee,
2. The Committee's Permissions authority must be limited to taking the appropriate decision regarding the facilities recommended for approval by the highest committee of the Executive Management Committee. Members of the top executive management may participate in the committee's meetings to present their recommendations.
3. High limits must be set for the powers vested in this Committee in respect of granting, modifying, renewing or structuring the credit facilities, so that the Board has clear powers in particular.
4. The quorum of the Committee meeting must be at least four members and take its decisions by a majority of its members, regardless of the number of those present.
5. A periodic report must be submitted to the Board with details of the facilities approved by the Committee.
6. Members of the Committee must personally attend their meetings and vote on their decisions. In the absence of personal attendance, the Member may express his opinion through video or telephone and shall have the right to vote and to sign the minutes of the meeting, duly documented.



7. The Board may delegate some or all of the powers of this Committee to amend the conditions or structure of the facilities for the Executive Management Committee mentioned above, with the need to inform the Facilities Committee of the decisions taken within these powers.

f. Management committee

1. This committee must consist at least three Board members.
2. The Committee must meet at least twice a year or at the request of its Chairman.
3. The Committee must assume the following functions:
 - a. The tasks related to financial decision-making and the corporate strategy in terms of recommending to the Board the adoption of the Bank's strategic plan, the annual estimated budget and the approval of financial claims within the terms of reference specified in the Financial Terms of Reference adopted by the Board.
 - b. Making decisions regarding investment operations that exceed the powers of the highest executive management committee.
 - c. Recommend to the Board the adoption of all policies governing the Bank's business, with the exception of policies relating to risk management, credit, human resource, compliance, anti-money laundering and corporate governance policies.
 - d. To adopt all financial and administrative powers in addition to the powers related to investment operations and recommend to the Board for approval.

g. Compliance Committee:

1. The Committee consist of at least three board members.
2. The Committee meet quarterly or at the request of the Chairman.
3. The Committee undertake the following tasks:
 - A. Supervise to ensure the independence of the Compliance Department and anti-money laundering, and that the Compliance and AML Department shall include a Shari'a Compliance division, and ensure that they continuously provided with adequate and trained staff.



- B. Supervise the compliance and anti-money laundering reporting process to the committee, And to the Shari'a Supervisory Board with respect to Shari'a compliance, with a copy sent to the CEO.
- C. Approving the compliance policy (including the duties and responsibilities of the Compliance department), Shari'a Compliance, Anti-Money Laundering and any other policy relating to the Compliance and Anti-Money Laundering department and recommending to the Board for approval.
- D. Evaluate effectiveness degree whereby the Bank manages the (noncompliance risks and anti-money laundry) at least once a year and review them when making any related changes.
- E. Supervising and monitoring compliance with AML / CFT standards in the Bank through reports prepared and / or submitted by the Committee Secretary.
- F. Ensure compliance in accordance with the policies and procedures and requirements of the Central Bank of Jordan and other regulatory bodies, including the requirements of anti-money laundering and financing of terrorism.
- G. Ensure that there is an effective internal control system to implement compliance policies, and verify it in the best performance.
- H. Follow-up the disclosure reports issued by the Compliance and Anti-Money Laundering Department of the Bank.
- I. Work and coordinate with other Board committees to raise compliance in the Bank.
- J. Keeping up with the rapid developments and increasing complexity that arise on the management of compliance and anti-money laundering and submit periodic reports to the board on these developments.
- K. Recommend to the board of director within the scope of the Committee's responsibilities if it deems that is necessary to improve its work, or if the instructions so require.
- L. Recommend to provide resources for compliance activities and with the necessary requirements.



h. IT governance committee

1. The committee must consist at least three members that will be elected based on their experience and strategic knowledge in the IT area.
2. The committee must hold meetings on a quarterly basis at least.
3. The committee shall assume the following tasks:
 - a. The committee shall approve the strategic objectives of IT and the appropriate organizational structure including the steering committees, specifically on top executive management level (the steering IT committees) in order to guarantee the achievement of the Bank's strategic objectives and the best value added from the projects and IT resources investment. The committee shall use the tools and needed measures to supervise and ensure the achievement of these objectives, such as IT Balance Scorecards, and the return on investment (ROI). The committee shall measure the impact of contributions made to enhance the financial and operational efficiency.
 - b. The committee shall approve the general framework of managing, regulating, and supervising IT resources and projects that simulates the best approved international practices in this regard especially (Control Objectives for Information and related Technology-COBIT) that conform with and achieve the objectives and the requirements of our instructions through the continuous fulfilment of the institutional objectives, along with the achievement of the accompanying IT objectives' matrix, and covering the processes of IT governance.
 - c. The committee shall approve the institutional objectives matrix and the accompanying IT objectives and considers its givens as minimum requirements, and describes the sub-objectives needed to achieve them.
 - d. The committee shall approve the (RACI chart) matrix regarding the main processes of IT governance along with the secondary processes related to: the entity/s or person/s or party/s primarily (responsible), and those who are ultimately responsible (accountable), and those who are (consulted),



and those who are (informed) for all processes in light of (COBIT5 Enabling Processes) in this regard.

- e. The committee shall ensure that a general framework for IT risk management is in place. And will be consistent and integrated with the overall framework of the risk management in the Bank considering and achieving all IT governance processes.
- f. The committee shall approve the IT projects and resources' budget in accordance with the Bank's strategic objectives.
- g. The committee shall undertake the general supervision and monitoring of IT processes, projects, and resources to ensure their sufficiency and effective contribution in achieving the Bank's requirements and works.
- h. The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
- I. The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.

Article (9): Sharia Supervision Board

- Subject to Article 58 of the Banks Law No. 28 of 2000, and the amended, the bank must commit to:

1. The General Assembly of Shareholders must appoint the members of the Shari'a Supervisory Board upon the recommendation of the Board and upon recommendation of the Nomination and remuneration Committee and the for a period of four years renewable.
2. A letter of engagement between the Bank and the Sharia Supervision Board shall be signed defining the scope of the Sharia Supervision Board's works, duties and remuneration is determined.
3. Sharia Supervision Board's meetings:
 - a. The committee meet periodically to make periodic reviews and follows sharia commitment of the Bank's operations provided that its meetings may not be less than six meetings a year. It also holds



- meetings with the Board of Directors, audit committee and external auditor at least twice a year (every six months) to discuss issues of common interest.
- b. The Sharia Supervision Board members attend the meetings in person. If not, the member may express his/her opinion via phone or videoconference having obtained consent of the Chairman of the committee. He/she is entitled to vote or sign the minutes of meeting. The member may lose this right in any of the following cases:
 - If failed to attend personally without acceptable excuse.
 - If the personal attendance rate of the member is less than 50% of the Supervision Authority meetings.
 - c. Minutes of meeting must fully and accurately be recorded in addition to any reservations raised by any member. The Bank shall keep all these minutes properly.
 - d. The top executive management, within an adequate time before the Sharia Supervision Board's meeting, shall provide accurate and complete information to the Sharia Supervision Board's members. The Chairman of the Sharia Supervision Board shall verify this.
4. The Sharia Supervision Board shall prepare a manual that includes its work system, job description, responsibilities, along with the organization of its relation with the Board of directors and the executive management, in addition to the reporting mechanism for the management, the Board of directors, and shareholders, and its methodology regarding sharia supervision, and the mechanism of holding meetings.
 5. The Sharia Supervision Board shall observe the Sharia environment – taking into account Article 53/A of the Banks Law No. 28 of 2000, as amended- and legislations in the Kingdom.
 6. The Code of Conduct of the Bank shall apply to the members of the Sharia Supervision Board.
 7. To ensure the independence of the member of the Sharia Supervision Board, the following, as minimum, shall be met:
 - a. The member has not received any funding whether to him/her or to his/her family members up to the second degree from the Bank or from any of its subsidiaries.



- b. The member must not be employed by the Bank or by any of its subsidiaries during the two years preceding the appointment date.
 - c. The member has not been a member in any Sharia Supervision Boards in any other Islamic Bank licensed in the Kingdom and has not been a member in any Sharia Supervision Boards for more than four financial institutions that do not accept deposits and operating in the Kingdom, subject to no conflict of interests.
 - d. The member must not be a member in the bank's Board of Directors, or is not an owner of a company with which the Bank is dealing, except for the transactions arising due to services and/or normal business that the Bank renders to its clients, provided that they are governed by and subject to the same conditions of similar transactions with any other party and without any preferential terms.
 - e. The member must not be related to any of the members in the Bank's Board, or the top executive management in any kinship up to the second degree. He/she does not receive any salary or amount or remuneration or benefits or gifts from the Bank except the remuneration received in consideration of his/her membership in the Sharia Supervision Board or in consideration of any additional works assigned to him/her but does not affect his/her independence.
 - f. The member must not be a shareholder in the Bank or proxy of a major shareholder or a shareholder in one of the Bank's subsidiaries or a shareholder in the group owning the Bank.
8. The Sharia Supervision Board member should strive to achieve the following:
- a. Establishes justice and fairness among the stakeholders.
 - b. Acts in a manner allowing him/her to preserve his/her honesty and integrity.
 - c. Takes into account, while making any decisions, the legal and sharia aspects, in addition to the technical aspects for sharia commitment.



- d. Regards the different opinions between the various jurisprudential doctrines and variance of experience between the coworkers in the Sharia Supervision Board.
9. The Sharia Supervision Board shall assume Sharia fatwa and Sharia supervision as follows:
- a. Monitoring the Bank's business and activities in terms of conformity and non-contravention with the Islamic provisions, and follows-up and reviews operations to verify they are free of any Sharia prohibitions.
 - b. Expresses opinion and approves all contracts, transactions, agreements, products, services and investment policies and the policy that regulates the relationship between the shareholders and the investment account holders including dividend distribution, loss charging, set aside revenues on the investment account and mechanism to dispose of Islamic noncompliant income.
 - c. Approves the charging of any losses resulting from any Bank operations concerning the investment account holders.
 - d. Makes and expresses opinion on the extent of the Bank's compliance with the Islamic provisions and principles. The Sharia Supervision Board also:
 1. Reviews and adopts the annual Sharia audit report and reports it to the audit committee
 2. Releases semi-annual/annual report about the Sharia compliance. This report includes the effectiveness of the internal Sharia controls and any weak points in the Sharia controls system and internal legal control with a fundamental impact. The semi-annual report is submitted to the Board of Directors while the annual report to the shareholders general assembly both copied to the Central Bank.
 - e. Reviews and approves the policies and guidance relating to the Islamic provisions.
 - f. Provides advice to the parties rendering services to the Bank such as the auditors, certified public accountants and consultants.
 - g. Ensures adequacy and effectiveness of the internal Sharia control in the Bank.



- h. Ensures adequacy and effectiveness of the internal Sharia audit department through reviewing the internal Sharia audit reports and response of the management thereto and submits directions to the internal Sharia audit department.
- i. Coordinates with the (corporate governance and compliance committee) and the audit committee to ensure compliance of the Bank to the Islamic provisions and principles.
- j. Proposes any necessary Sharia training to the Bank's staff members.
- k. Identifies all reports including review of compliance with the Islamic provisions and principles including the reports by the Central Bank, auditor and responses of the management thereon.
- l. Attends meetings of the shareholders general assembly, and the Chairman of the Authority reads the Authority's report or chooses one of the members to do so.
- m. Makes opinion on the Bank's memorandum of association and articles of association and ensure they are in harmony with the Islamic provisions and principles.
- n. Makes submissions to the Board of Directors on appointment/dismissal of the Sharia internal audit manager.
- 10. Head of the Sharia internal audit department shall be appointed as the Sharia Supervision Board's Secretary.
- 11. The Secretary shall assume the following duties:
 - a. Attends all the Sharia Supervision Board's meetings; record all deliberations, proposals, objections and reservations and method of voting on the Sharia Supervision Board's draft decisions.
 - b. Determines the schedule of the Sharia Supervision Board's meetings in coordination with the head of the Sharia Supervision Board and communicate the same to the members.



- c. Prepares the Sharia Supervision Board meetings; receives Sharia inquiries from all organizational units paving the way for submitting them to the Sharia Supervision Board.
 - d. Ensures that all members have signed the minutes of meeting and decisions.
 - e. Follows-up the implementation of Sharia Fatwa and decisions taken by the Sharia Supervision Board and provide the Sharia internal audit department and the compliance department for action and follows discussion of any topic brought forward from the previous meetings.
 - f. Keeps meetings' records and documents of the Sharia Supervision Board.
 - g. Document the name/s of member/s who absence the meeting and clarifying whether excused or not and state the same in the minutes of meeting.
 - h. Provides the Central Bank with the suitability declarations signed by the Sharia Supervision Board members.
12. The Sharia Supervision Board shall have free access to any information without restriction to the activities of the Bank and can communicate with any employee within the Bank. It shall be delegated with all authorities and powers to perform the duties and tasks entrusted with it as required, including summon of any employee.
13. If necessary of the board, and after having obtained the consent from the Board, the Sharia Supervision Board may resort to outsourcing at the expense of the Bank to help it undertake the tasks vested in it to the fullest.

Article 10: Suitability

Members of the Board of Directors, members of the Sharia Supervision Board, and top executive management shall have the utmost integrity, credibility, competence, experience, and ability to commit and dedicate time to the Bank's business. It is the responsibility of the Board and NRC to ensure the same.

**Article 11: Suitability of Board Members**

- a- The Board shall adopt an effective policy to ensure Suitability of its members provided that such policy encompasses the minimum standards, requirements and conditions to be met by the nominated and appointed member. This policy should be reviewed when needed. Adequate procedures and regulations should be set to ensure all members satisfy the appropriate standards at all times. The Bank should provide the Central Bank with a copy of the policy approved by the Board.
- b- The Chairman or member of the Board of Directors shall meet the following conditions:
- 1- Not less than 25 years old
 - 2- He/she is not a member of the Board of Directors of another Bank within the Kingdom or is not its general manager or regional manager or employed by it unless such other Bank is a subsidiary.
 - 3- He/she is not a lawyer or legal counsel or auditor of the Bank.
 - 4- Holding the first university degree as minimum whether in economy or finance or accounting or business administration or any other similar discipline. The NRC may consider addition of other disciplines if coupled with bank-related business experience.
 - 5- He/she is not a government employee or any other public official institution unless he/she is its representative.
 - 6- He/she is not a member in the Board of directors of more than five public joint stock companies within the Kingdom in his/her personal capacity in some and representative of a legal person in the others.
 - 7- He has experience in the Bank business, finance or similar fields of no less than five years. He is familiar with the banking activities compliant with the Islamic provisions.
- c- The Central Bank may make objections to the nomination of any person to the membership of the bank's Board of Directors should it find that he/she doesn't meet any of the conditions set forth in clause (b) above.
- d- The Chairman or members of the Board shall sign a declaration (in accordance with the annexed form No. (1)) to be kept with the Bank copied to the Central Bank along with the member's C.V.



- e- The Chairman of the Board shall make sure that the Central Bank was notified with any material information that may negatively affect the consistency of the members.

Article 12: Suitability of Top Executive Management Members

- a- The Board must adopt a policy to ensure suitability of members of the top executive management in the Bank if such policy encompasses the minimum standards, requirements, and conditions to be met by the member. The Board shall review this policy from time to time. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy
- b- The Board must appoint a general manager characterized by integrity, technical competence, and banking experience. The prior consent of the Central Bank should be obtained before such appointment.
- c- The approval of the Board must be obtained before appointing any member of the top executive management in the Bank.
- d- The Board must approve a succession plan to the members of the top executive management. The Board shall review the plan once a year at least.
- e- The Board must notify the Central Bank of any material information that may negatively affect Suitability of the members of the top executive management.
- f- Top executive managers shall meet the following conditions:
- 1- He/she is not a member in the Board of Directors of any other Bank inside the Kingdom unless it is a subsidiary.
 - 2- Should be full time dedicated to the Bank business.
 - 3- Holder of the first university degree as a minimum in economics or finance or accounting or business administration or any other similar discipline that is related to the bank business.
 - 4- He/she has experience in bank's business and related businesses of no less than five years except for the position of the general manager for which experience is not less than ten years.



- 5- Among the experiences set out in the previous clause, at least two years in the Islamic banks field, otherwise the member of the top executive management shall undergo a comprehensive qualifying program in the Islamic banks field, accounting standards, audit and legal controls, and standards issued by the Accounting and Auditing Organization for the Islamic financial institutions and the standards issued by the Islamic Financial Services Board (IFSB) for no less than three months.
- g- No objection letter should be obtained from the Central Bank prior to the appointment of any member in the top executive management and thus the Bank should, before appointment of any member in the top executive management, have the C.V of the nominated person annexed with the scientific documents and certificates, experience certificates and good conduct certificate and other supporting documents. The candidate is asked to sign the declaration exhibit No.2 and the Bank should provide the Central Bank with a copy of the declaration together with the relevant C.V.

Article 13: Suitability of the Sharia Supervision Board

- a- The Board must adopt an effective policy to ensure Suitability of members of the Sharia Supervision Board provided that such policy should encompass the minimum standards, requirements and conditions to be met by the nominated and appointed member. The Board should review this policy when needed. Adequate procedures and regulations should be set to ensure all members satisfy the Suitability standards at all times. The Bank shall provide the Central Bank with a copy of the policy approved by its Board of Directors.
- b- The Chairman or member of the Board shall meet the following conditions:
- 1- He/she is a holder of the bachelor degree in Islamic Sciences, Islamic jurisprudence, principles or Islamic economy or Islamic financing.
 - 2- He/she has experience of no less than 3 years in issuing Sharia Fatwas and Islamic provisions and/or experience in teaching or scientific research of no less than four years following graduation.



- c- The Central Bank may object on the nomination of any person to the membership of the Board of Directors of the Bank if found not meeting any of the conditions outlined in clause (b) above.
- d- The Chairman or members of the Supervision board shall sign the declaration in exhibit 3 to be kept with the Bank copied to the Central Bank and annexed with the members' C.V.
- e- The Chairman of the Board shall notify the Central Bank of any material information that may negatively affect the Suitability of the Sharia Supervision Board members.
- f- If there is a need to appoint members of the Sharia Supervision Board of those residents abroad, the number is stipulated not to exceed half of the number of the Sharia Supervision Board members.

Article 14: Performance Appraisal of administrators and Sharia Supervision board Members

- a. The Board shall create a system for appraisal of its works and members provided that it encompasses as a minimum the following:
 - 1- Sets specific objectives and determines role of the Board in achieving the measurable objectives.
 - 2. Determines the key performance indicators (KPIs) that may be deduced from the strategic plans and goals and use them to measure the Board 's performance
 - 3- Periodic communication between the Board of Directors and the shareholders
 - 4- Periodic meetings of the Board of Directors with the top executive management.
 - 5- Role of the member in the Board's meetings; compare its performance to that of other members' performance. Feedback should be obtained from the concerned member with a view to improve the appraisal process.
- b- The NRC shall evaluate annually the Board's business as whole and its committees and members if the NRC shall notify the Central Bank of the results of such evaluation.



- c- The Board must evaluate the Sharia Supervision Board and its members' performance in accordance with a predetermined evaluation by the NRC and encompasses setting the KPIs to include the Sharia Supervision Board and its members' performance evaluation standards through the role of the member in the Sharia Supervision Board's meetings; comparison of his/her performance with that of the Sharia Supervision Board's other members. Feedback of the concerned member should be obtained in order to improve the appraisal process. The evaluation system should include also the extent of the Sharia Supervision Board's achievement of its duties and tasks and effectiveness of the Sharia control system in the Bank.
- d- The Board shall evaluate performance of the general manager on annual basis in accordance with the predetermined evaluation by the NRC and encompasses setting the KPIs. The performance evaluation standards of the general manager include the financial and admin performance of the Bank, commitment to apply the legal controls approved by the Bank, extent of achievement of the Bank's medium and long term strategies and plans, provided that the committee notifies the Central Bank of the evaluation results.
- e- The Board shall adopt a system to measure performance of the Bank members other than the members of the Board of Directors and the general manager provided that such system should include, at minimum, the following:
- 1- The system provides proper weighing to measure the commitment by the risks management framework and application of the internal controls and the regulatory requirements.
 - 2- Total income or profit is not the only element to measure performance; however, other elements to measure performance of members like the risks associated with the basic operations and customer's satisfaction wherever applicable should be taken into consideration.
 - 3- Not to exploit influence and conflict of interests.



Article 15: Financial Remunerations of Directors and Sharia Supervision Board's Members

- 1- The Board shall set procedures to determine remuneration of its members based on the approved evaluation system.
- 2- The Board shall set procedures to determine board members' based on the approved evaluation system.
- 3- NRC of the Bank shall set the financial remuneration policy to the directors characterized by objectivity and transparency. The policy should be adopted and approved by the Board and the Central Bank is provided with a copy thereof within a maximum period of seven working days from the date of its adoption by the Board
- 4- The financial remuneration policy shall provide, at minimum, the following elements:
 - a. Set and prepared to maintain the members of experience, skills and competency and keep them stimulated motivated and to upgrade their performance.
 - b. Designed to make sure it will not be utilized in a way that adversely affects the solvency and reputation of the Bank.
 - c. It takes into account the risks, liquidity, and profits situation and timing.
 - d. Granting remuneration may not be based only on the current year's performance but also on the performance in the medium and long term (3-5 years)
 - e. It reflects the Bank's goals, values and strategy
 - f. Remunerations type is defined in the form of fees, salary, allowances, bonuses or share options or any other benefits
 - g. It compasses possible postponement of payment of reasonable rate of remuneration, such rate together with the postponement period are determined based on the nature of business, risks and activities of the concerned member.
 - h. No financial remuneration to the members of the regulatory and control departments will be granted (risk management, audit, compliance and others) based on results of departments' activities under control.



Article 16: Conflict of Interests

1. Administrators and members of Sharia Supervision Board shall avoid conflict of interests.
2. The Board adopts a policy and procedures to address conflicts of interest that may arise when the Bank is part of a banking group and to disclose any conflict of interest that may arise from the Bank's association with companies within the Group.
3. The Sharia Supervision Board shall approve a policy and procedures to address conflict of interests
4. The Board shall adopt policies and procedures for transactions with stakeholders to include definition of stakeholders taking into account the regulations, transactions conditions, approval procedures and control mechanism over such transactions. These policies and procedures may not be passed over and encroached.
5. The control regulatory departments in the Bank shall ensure that the stakeholders' transactions are carried out and processed in accordance with the approved policy and procedures. The audit committee reviews and controls all these transactions and introduces them to the Board of Directors.
6. The Board shall ensure that the top executive management implements the approved policies and procedures.
7. The Board shall adopt controls for information circulation movement between the different departments and such controls would prevent personal exploitation.
8. The Board shall adopt and circulate policies and charter of professional conduct to all members to include as minimum the following:
 - a- None of the administrators may use the internal information of the Bank for their own personal benefit.
 - b- Rules and procedures regulating transactions with the stakeholders.
 - c- Cases from which conflict of interest may arise.
9. The Board shall ensure that the executive management enjoys high level of integrity in exercising its business and avoids conflict of interest.



Article 17: Internal Audit

- 1- The Board must ensure that the internal audit department in the Bank is able to undertake the following tasks, as minimum:
 - a- Check for the availability of enough internal control systems for monitoring the activities of the Bank and its subsidiaries.
 - b- Verify compliance with the Bank's internal policies and international standards and related regulations.
 - c- Perform financial and administrative audit to ensure the accuracy, timing, and reliability of the main financial and admin information.
 - d- Review compliance to the corporate governance manual
 - e- Review validity and comprehensiveness of the (Stress Testing) in line with the methodology approved by the Board.
 - f- Ensure the accuracy of the applicable procedures for the Internal Capital Adequacy Assessment Process (ICAAP).
- 2- The Board ensures and enhances the independence of the internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3- The Board must take necessary actions to enhance effectiveness of internal audit through the following:
 - The Board gives necessary importance to the audit process and establishes the same in the Bank.
 - The Board monitors the correction of audit notes.
4. The audit committee shall verify the provision of adequate resources and trained number of human personnel qualified to the internal audit department.
5. The audit committee shall verify that the internal audit staff members are rotated on auditing the Bank's activities every three years as maximum.
6. The audit committee shall verify that the internal audit personnel are not assigned to any executive assignments.

7. The audit committee shall verify that all the Bank activities are audited including the outsourced activities.
8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the audit department and circulate it within the Bank.
9. The Board shall verify that the internal audit department is under the direct supervision of the audit committee and reports directly to the audit committee and the general manager.
10. The audit committee, in coordination with the nomination and remuneration committee shall evaluate performance of the internal audit personnel; and determine their remuneration in line with the human capital policies.

Article 18: Sharia Internal Audit

- 1- The Sharia Supervision Board shall ensure that the Sharia internal audit in the Bank is able to undertake the following tasks and duties, as minimum:
 - a- Check and evaluate adequacy and effectiveness of the Sharia internal control system of the Bank.
 - b- Monitor the compliance of the Bank's management with the legal aspects, Sharia Fatwas, and decisions issued by the Sharia Supervision Board.
 - c- Set the annual Sharia audit plan to be approved by the Sharia Supervision Board and implement its items.
 - d- Check receivables and finances that are classified under non-operating facilities or those decided to be written off which are funded by the joint investment accounts in order to verify absence of encroachment or default on the part of the Bank.
 - e- Determine the earnings contravening the Islamic principles and dispose them in accordance with the decisions of the Sharia Supervision Board.
 - f- Verify that executive management complies with the policy that regulates relations between the shareholders and investment account holders, in particular distribution bases of dividends.



- 2- The Board shall ensure and enhance independence of Sharia internal auditors giving them a suitable position in the career hierarchy of the Bank. It ensures they are qualified enough to undertake their duties including the right of access to all records and information and communication with any employee in the Bank to enable them to perform the tasks vested in them and to prepare their reports without any external interference.
- 3- The Board shall take necessary actions to enhance effectiveness of Sharia internal audit through the following:
 - a. Give due importance to the Sharia audit process and establish the same in the Bank.
 - b. Monitor the correction of Sharia audit notes.
- 4- 4- The Board shall verify provision of adequate resources and qualified number of human personnel to the Sharia internal audit department and that they are well trained. The personnel in the department should, as minimum, meet the following requirements:
 - a- A related university degree and familiarity with the Islamic financial transaction principles, respective conditions of each contract, and reasons of contracts termination.
 - b- Familiar with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
5. The Board shall verify that the Sharia internal audit personnel are rotated to audit the Bank's activities every three years as maximum
6. The Board shall verify that the Sharia internal audit personnel are not assigned to any executive assignments.
7. The Board shall verify that all the Bank's activities are legally audited including the outsourced activities.
8. The Board shall adopt the internal audit charter that includes tasks, authorities, and responsibilities of the Sharia audit department and circulate it within the Bank.
9. The Board shall verify that the Sharia internal audit department is under the direct supervision of the Sharia Supervision Board and reports directly to the Chairman of the Sharia Supervision Board and send copies of the reports to the audit committee and the general manager.



10. The Sharia Supervision Board, in coordination with the nomination and remuneration committee, shall evaluate the performance of the Sharia internal audit personnel; and determine their remuneration in line with the human capital policies.

Article 19: External Audit

- 1- The Board shall ensure that the external auditor is regularly rotated between the audit offices and their subsidiaries or allied or associated companies in any way every seven years as maximum as of the election date.
- 2- The seven years period is calculated on the application commencement as of 2010
- 3- The first year (at rotation) of the new office shall be (joint) with the old office.
- 4- The former office may not be re-elected before the lapse of at least two years from the last election to it in the Bank unlike the joint audit duty.
- 5- The Sharia Supervision Board shall verify that the external auditor has audited the adequacy and effectiveness of the Sharia internal control system in the Bank.
- 6- The audit committee shall annually verify the independence of the external auditor.
- 7- The Board shall take proper actions to address weaknesses in the internal control systems or any other weak points demonstrated by the external auditor.

Article 20: Risk Management

- 1- The risk management shall monitor the compliance of the Bank's executive managements with the risk appetite levels.
- 2- The Board shall verify that the irregularities at the risk appetite levels are addressed, including holding the concerned top executive management accountable for these irregularities.



- 3- The Board shall ensure that the risk management department periodically undertakes stress testing to measure the Bank's ability to tolerate shocks and face the elevated risks. The Board shall have a key role in approving the adopted assumptions and scenarios, discuss testing results, and adopt actions to be taken based on the results.
- 4- The Board shall approve the internal evaluation methodology of the Bank's capital adequacy so that it is comprehensive and effective and able to determine all risks including the legal ones that the Bank is likely to face; and it takes into account the Bank's strategic plan and capital plan. This methodology should be periodically reviewed and its application shall be ensured. It should be verified that the Bank maintains a capital adequate to meet all faced risks.
- 5- The Board, prior to approval of any activity expansion, shall take into account the resulting risks, competence, and qualifications of the risk management department personnel.
- 6- The Board shall ensure independence of the risk management department in the Bank through submitting its reports to the risk management committee and granting the department authorities and powers necessary to be able to access information from the Bank's other departments and cooperate with the other committees to undertake the respective duties.
- 7- The Board shall adopt the risk appetite charter of the Bank.
- 8- Duties of the risk management departments, as minimum, are as follows:
 - a- Review the risk management framework before the Board's approval.
 - b- Implement the risk management strategy in addition to setting the risk management policies and procedures to manage all types of risks.
 - c- Setting methodologies to determine, measure, and control each type of the risks.
 - d- Submit reports to the Board through the risk management committee copied to the top executive management including information about the actual risk profile for all the Bank's activities compared to the risk appetite; and monitor the addressing of the negative deviations.
 - e- Verify that the risk measurement mechanisms are integrated with the adopted management information systems



- f- Study and analyze all risk types faced by the Bank
- g- Make recommendations to the risk management committee about the Bank's exposures to risks; record exemptions from the risk appetite levels.
- h- Provide necessary information about the Bank's risks to be used for disclosure purposes.

Article 21: Compliance Department

- 1- The Board shall ensure the independence of the compliance department whereas it includes the Sharia compliance department. The Board shall also ensure that the compliance department is continuously provided with adequate and well-trained personnel.
- 2- The Board shall adopt a policy to ensure the Bank's compliance with the related legislations, Sharia Fatwas, and decisions issued by the Sharia Supervision Board; and review the policy periodically and verify its application.
- 3- The Board shall approve the tasks and responsibilities of the compliance department.
- 4- The compliance department shall report to the corporate governance and compliance committee of the Board, and to the Sharia Supervision committee and send a copy of the reports to the general manager.

Article 22: Rights of Stakeholders

- 1- The Board shall provide a specific mechanism to ensure communication with the stakeholders through disclosure and to provide information of significance about the Bank's activities to the stakeholders through the following:
 - a- General assembly meetings
 - b- Annual report
 - c- Quarterly reports containing financial information, in addition to reports of the Board about the Bank's stock exchange, and its financial position during the year.
 - d- The Bank's website.



- e- Shareholders' relation division.
- 2- The Board shall ensure the designation of a part of the website to include explanations and clarifications of the shareholders rights and encourage them to attend the general assembly meetings and vote therein as well as dissemination of meetings-related documents including the full text of convocation and minutes of meetings.
 - 3- The Board shall ensure the designation of a part of the website to include clarifications about rights of the investment account holders and disseminates the policy that regulates their relations with the shareholders to include quantitative and qualitative disclosures.

Article 23: Disclosure & Transparency

- 1- The Board shall ensure the dissemination of financial and non-financial information of concern to the stakeholders.
- 2- The annual report of the Bank should encompass a text stating that the Board is responsible for the accuracy and adequacy of the financial statements of the Bank, the information contained in that report, and the adequacy of the internal control systems and Sharia control systems.
- 3- The Board shall ascertain compliance of the Bank with the disclosures determined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and compliance with the disclosures issued by the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in case Islamic Standards are not made available, along with the directions of the Central Bank and other related regulations. It shall make sure that the executive management is familiar with the changes to the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Financial reporting Standards.
- 4- The Board shall ensure that the annual report of the Bank and its quarterly reports include disclosures that enable the current or potential



shareholders of reviewing the operation results and the financial position of the Bank.

- 5- The Board and the Sharia Supervision Board shall ensure that the annual report of the Bank includes disclosures that enable the current or potential investment account holders of reviewing the operation results and the legal and the financial situation of the Bank.
- 6- The Bank shall establish written work procedures in accordance with the disclosure policy adopted by the Board to regulate the disclosure of information and follow up its implementation in accordance with the requirements of the regulatory bodies and the applicable legislation.
- 7- The Board shall ensure that the annual report includes, as minimum, the following:
 - a- Summary of the organizational structure of the Bank
 - b- Summary of the tasks and responsibilities of the Board committees and any authorities delegated to the committees by the Board.
 - c- The information that concerns the stakeholders set out in the corporate governance manual of the Bank and the extent of compliance with the manual.
 - d- Information about each member of the Board in terms of respective qualifications, experience and his/her share in the Bank's capital and whether he/she is independent or not, and his/her membership in the Board's committees, date of appointment and any other memberships in the Boards of other companies, remuneration of all forms received from the Bank for the previous year as well as the funding granted to him/her from the Bank and any other operations made between the Bank and the member or the parties related to him/ her.
 - e- Information about each member of the Sharia Supervision Board in terms of qualifications, experience, date of appointment, positions held currently outside the Bank.
 - f- Information about the risk management department including structure, nature of operations, and developments made to it.
 - g- Frequency of meetings of the Board, committees, and the Sharia Supervision Board and the number of meetings attended.
 - h- Names of independent members of the Board, top executive management, and Sharia Supervision Board during the year.



- i- Summary of the Bank's remuneration policy showing and disclosing all forms of remunerations granted to each member of the Board, fees paid to each member of the Sharia Supervision Board, remunerations of all forms paid to each member of the top executive management for the previous year.
- j- Names of shareholders holding 1% or more of capital while determining the ultimate beneficial owners of these shares or any part thereof and demonstrating whether any of these contributions are mortgaged wholly or partly.
- k- Declarations by all Board members and Sharia Supervision board members that the member has not received any benefits through his/her work at the Bank that has not been disclosed whether such benefits are financial or in-kind and whether personal or to any related party, for the past year.
- l- Governance report to be signed by the chairman.

Article 24: General Provisions

- 1- The Chairman of the Board shall invite the Central Bank to attend the general assembly meeting in a suitable time before the meeting to enable the nomination of its representative.
- 2- The Chairman of the Board shall provide the Central Bank with the general assembly minutes of meetings within a period not exceeding five days from the date of endorsement of the meetings' minutes by, or on behalf of, the Companies General Controller.
- 3- The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the external auditor to be elected or re-elected by the general assembly.
- 4- The Bank shall notify the Central Bank, at least 30 days before the date of the general assembly meeting, of its intention to nominate the Sharia Supervision Board's member to be elected or re-elected by the general assembly.



- 5- The Bank shall notify the Central Bank of the number of shares mortgaged by the Bank's shareholders holding 1% or more of the capital and of the mortgagee.
- 6- The Bank shall, semi-annually and whenever a change takes place, provide the Central Bank with the information related to the members of the Board and its committees, members of the Sharia Supervision Board, and members of the top executive management, in accordance with the annexed formats (4/1, 4/2, 4/3, 4/4).
- 7- The Bank shall, semi-annually or when change takes place, provide the Central Bank with information related to the members of the Board of directors and the top executive managements of its subsidiaries and affiliates within the Kingdom and abroad in accordance with the annexed formats (5/1, 5/2, 5/3).