



بنك صفوة الإسلامي  
Safwa Islamic Bank

## Corporate Governance Guide

Approved by the Bank's Board of Directors during its meeting No. (5/2025) held on 19 June 2025.



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## Article (1): Introduction

The Corporate Governance Guide was prepared in line with the Corporate Governance Instructions for Banks No. (2/2023) issued by the Central Bank of Jordan on 14/02/2023 and in application of best banking practices in this regard in a manner consistent with the bank's needs and policies.

Applying the principles of corporate governance in the bank provides a basis for future institutional development and performance, supports confidence in the bank's activities and dealings, and enables it to successfully contribute to the development of the Jordanian banking system, which contributes to raising the efficiency of the national economy and creating an atmosphere of reassurance for shareholders and customers.

## Article (2): Definitions

The terms and phrases included in this guide shall have the meanings assigned to each hereunder, unless the context indicates otherwise.

Corporate Governance	The system by which the bank is oriented and directed, that aims to identifying and achieving the corporate goals of the bank, managing the bank's operations in a safe and sound manner, protecting depositors interests, committing to the responsibility towards investment account holders, shareholders and other stakeholders, and ensuring the bank's compliance with laws and regulations, and its internal policies and procedures.
Stakeholders	Any party of interest in the bank; depositors, investment accounts holders, shareholders, employees, creditors, customers or concerned regulators.
Board	The Board of directors of the bank.
Independent Member	A board member other than the major shareholders- and who is not under the control of any thereof. He/ she shall have financial or banking qualifications or expertise, and in whom the conditions stipulated in Article (4/e) herein are present.
Sharia Board	The Islamic Jurisprudence Supervision Board of the bank.
Sharia Compliance	The framework that ensures compliance of the agreements, contracts and financial transactions of the Bank with the principles and rules of Islamic Sharia.



Senior Executive Management	Includes the general manager (Chief Executive Officer, “CEO”), deputy general manager, Chief Financial Officer “CFO”, Chief Operational Officer “COO”, Chief Credit Officer, Chief Treasury (and investment) Officer, Chief Risk Officer “CRO”, Internal and Sharia Audit Manager, Chief Compliance Officer “CCO”, Chief Sharia Compliance Officer, and any other employee in the bank who occupies the same job position and has an executive power parallel to the powers of the aforementioned and/ or is directly reporting to the general manager.
Fit and Proper	Certain requirements, and standards relating to honesty, integrity, reputation, competence and qualifications in accordance with the requirements contained in this guide to be present in those nominated to be members of the bank’s board, its senior executive management, and Sharia board.
Consulting Position	The position whose occupant has a contract or agreement with the bank to provide temporary consulting services, or who does so under an annual contract.
External auditor	Includes the audit office, partners in the audit office, and audit team members.
Audit Office	The office through which the audit team practices the profession and is registered with the Companies Control Department at the Ministry of Industry, Trade and Supply as a civil company to practice the profession in accordance with the legislations in force.
The partner in charge of the audit	The licensed partner in the audit office who is responsible for the audit task and for the report issued on behalf of the audit office, and who possesses the experience, academic qualifications, and professional certificate that qualify him/ her to sign off the audit report.
Audit Team	The team members who perform audit procedures under the supervision of the partner in charge of the audit. This does not include members of the additional service team of non-audit services.

### **Article (3): Board of Directors Composition**

- A. The board should consist of no less than eleven members.
- B. Neither the chairman nor any board member has the right to combine their position with any executive position or any position under which they participate in managing the daily work of the bank or any consulting position therein.
- C. Independent members of the board shall not be less than four, except where the bank is owned by one shareholder.
- D. The diversity and integration of skills and experiences amongst board members shall be taken into account so as to provide a wide range of visions and viewpoints in line with the size of the bank (or banking group), the nature of its activity and its strategy.

### **Article (4): Fit and Proper Criteria of Board Members**

- A. The board shall approve a policy to ensure the fit and proper of its members. Such policy shall include the minimum standards, requirements and conditions, which are to be fulfilled by the candidate member. This policy should be reviewed whenever needed. The board shall also set out adequate procedures and systems to ensure that all members meet these criteria and continue to do such.
- B. Those who assume the chairman (or membership) of the board must meet the following requirements:
  - 1. He/ she shall be of 25 years of age or more.
  - 2. He/ she shall not be a board member, general manager, regional manager, or an employee of any other bank operating in the kingdom, unless the other bank is a subsidiary.
  - 3. He/ she shall not be an attorney, legal counselor, or auditor of the bank, or a counselor of any other bank inside the kingdom.
  - 4. He/ she shall hold a university degree, as a minimum, in economics, finance, accounting, business administration, or any other similar specialties. The nomination and compensation committee has the right to consider other specialties (such as Law and Information Technology) if coupled with banking business expertise or activities relating thereto in accordance with Paragraph (3/ d) of This guide.
  - 5. He/ she shall not be a government employee or public official, unless a representative of them.
  - 6. He/ she shall have experience for at least five years in banking, finance, economics, or other fields related to banking activities.



7. He/ she shall not have any relationship, including kinship up to the third degree, with the general manager of the bank, and of the first degree, with any other member of the senior executive management.
- C. The Central Bank's no- objection statement shall be obtained prior to the nomination of any person (and of the nomination of the representative of the legal entity including temporary representative of any government entity, public institution, or public legal institution) to be a board member. Therefore, the bank shall enclose in its no- objection request the board's decision, the recommendation of the nomination and compensation committee, which includes its depiction of the added value that the nominated member will provide for the board's tasks, the declaration (the attachment No. 1 and its annex), the declaration of the independent member shown in attachment No. 6, the candidate's CV, all academic certificates, experience, and no- criminal record certificate, and a copy of the identification card (passport for non- Jordanians). The Central Bank will not consider any no-objection request unless it is completed with the above attachments.
- D. The chairman shall make sure to notify the Central Bank of any material information which may negatively affect the fit and proper of any members thereof and of the representative of the legal entity.
- E. The Nomination and Compensation Committee shall determine the requirements necessary to ensure the independence of the member, which shall include the following conditions as a minimum:
  1. He/ she shall be a natural person.
  2. He/ she shall not have worked as an employee or a consultant in the bank or in any of its subsidiaries during the past 3 years prior to his/ her nomination.
  3. He/ she shall not be related (up to 2nd degree relatives) to any other board member of the bank, or to board/ management committee members of other subsidiaries of the bank, or to any major shareholder thereof.
  4. He/ she shall not be related (up to 2nd degree relatives) to any of the senior executive management members of the bank (other than the general manager), or to any of the senior executive management member of subsidiaries thereof.
  5. He/ she shall be neither a partner or employee for the external auditor of the bank, nor has been such during the last three years prior to his/ her nomination.
  6. He/ she shall not be a major shareholder, or an affiliate of a major shareholder in the bank. Neither his/ her contribution with an affiliate contribution shall equal shares of that of a major



shareholder, or of a major shareholder in the bank's subsidiaries, or of a major shareholder in the group owning the bank.

7. He/ she shall not have been a board member of the bank or of any of its subsidiaries or a member of the management committee therein for more than eight aggregate years for the aforementioned memberships. If any member has lost his/ her independence pursuant to this item, the bank has the right to following a cooling- off period of at least (4) consecutive years and in the event of having sufficient justifications, obtain the Central Bank no- objection to consider that member as an independent member.
  8. Neither he/ she, their spouse, relative of the 1st degree, or any company in which he/ she is a member of the board or of the senior executive management, which he/ she owns, or in which he/ she is a major shareholder shall have obtained a credit from the bank exceeding 5% of the bank regulatory capital, nor shall he/ she be a guarantor of credit exceeding the mentioned percentage. The Central Bank has the right to consider some cases related to nominated persons who have memberships in public shareholding companies.
- F. The Board has the right to, if it deems it necessary and for clear and specific justifications, appoint a consultant. Doing such shall be within the scope of tasks consistent with the nature of the consultant's work, shall not include supervisory or executive tasks in any way, shall be within a specific timeframe and shall not negatively affect the board role of overseeing the bank's business in line with its tasks stipulated in the legislations, including the Banking Law. The Central Bank no- objection should be obtained for this appointment.

#### **Article (5): The Board tasks**

1. The board shall oversee the executive management, approve a policy for monitoring and reviewing their performance to achieve the corporate goals and ensure the soundness of all bank operations.
2. The board shall define the bank's strategic goals, orient the executive management to prepare a strategy to fulfill these goals and, then, approve the strategy and the related action plans that go in line with this strategy.
3. The board shall ensure the availability of policies, plans and work procedures in the bank that cover all of its functions, and which are in line with the concerned regulations. All of such are to be circulated across all managerial levels and reviewed on a regular basis.



4. The board shall establish the bank corporate values, draw clear lines as to the responsibilities and accountability for all bank functions, as well as establish a high- level culture in terms of moral standards, integrity and professional conduct of the bank administrator.
5. The board shall be responsible for carrying out the Central Bank requirements and those of other supervisory and regulatory authorities, and taking care of the stakeholders interests. It shall ensure also that the bank is duly managed within the framework of the laws and regulations and its internal policies, and that the effective monitoring of the bank's activities, including outsourced activities, is always in place.
6. the board, in light of the recommendations made by the relevant committee, must approve the appointment of the general manager, the internal and sharia audit manager - in consultation with sharia board, CRO and CCO, and is responsible for accepting their resignations or termination of services.
7. The board shall approve a risk management strategy and monitor its continuous implementation. Such strategy shall include the bank's risk appetite that prevents exposing the bank to high risks. The board shall be aware completely of the operational work environment and associated risks thereto. The board also shall ensure the availability of tools and infrastructure to manage the risks and that they are capable to define, measure, analyze, evaluate, and control all risk types which the bank may be exposed to.
8. The board shall ensure the availability of sufficient Management Information Systems "MIS", that are reliable and covering all the bank activities.
9. The board shall verify that the "bank business credit policy" include an assessment of the customers' corporate governance quality for public shareholding companies, in a way that customers risk assessment shall be done by adopting strength and weakness points according to their governance performance.
10. The board shall develop an environmental and social policy. This policy shall include the bank disclosures of the initiatives it conducts in this regard within its annual report and/ or sustainability report. Such initiatives shall at least be:
  - A. Social initiatives in protecting the environment, health and education.
  - B. Social initiatives to fight poverty and unemployment.
  - C. Encouragement of micro and medium finance.
  - D. Participation in initiatives of added economic value to society.
11. The board should take adequate measures to ensure clear segregation of the powers of major shareholders and those of the executive management. It must also allocate suitable mechanisms to





minimize the influence of major shareholders. The senior executive management shall derive its power only from the board and shall act within the framework of delegation granted thereto by the board.

12. The board shall approve the bank's overall organizational structure.
13. The board shall specify the banking operations which require its approval in a way that is not exhaustive and jeopardizing its supervisory role, and shall not grant executive authority, including granting credit, to a sole board member including the chairman.
14. The board members and committees shall have the ability to directly contact the executive management and the board secretary, and they shall be empowered to do the duties entrusted to them. However, no board member shall affect the senior executive management decisions unless through negotiations conducted in the board's or its committees' meetings.
15. The board shall take due diligence measures when deciding on any of the issues related to the bank business, and consider the sound bases in the decisions taken in this regard in a manner that guarantees carrying out its duties at highest levels of professionalism.
16. Verify setting the adequate controls that ensure the compliance of all the banking activities with the provisions and principles of Islamic Sharia, fatwas and Sharia decisions issued by the Sharia board.
17. Approve the policy that organizes the relationship between the bank/ shareholders and the investment accounts holders, provided that such policy is reviewed by the Sharia board and published on the bank's website, so that it includes quantitative and qualitative disclosures.
18. Approve the code of policies and procedures relating to the compliance with the Islamic Sharia provisions and principles. This code shall include the following as a minimum:
  - A. The mechanism of presenting topics to the Sharia board to get the Fatwa and/ or the Sharia board's decisions regarding them.
  - B. Working procedures manual (Action Guide) of the Sharia board.
  - C. The mechanism of ensuring compliance with the Fatwas or decisions issued by the Sharia board.
  - D. A mechanism to facilitate communication of the various bank's units and the bank's customers with the Sharia board.
19. Ensure the availability of a mechanism to provide the bank's customers- upon their request- with a clarification of any Fatwa issued by the Sharia board.
20. Ensuring that all the Fatwas and decisions issued by Sharia board that related to launching a new product or service, or adopting a processing or a mechanism related to the product or service, for



which Fatwas and decisions were issued, are published on the bank's website within a period of no more than two months as from the date of issuance/ adoption.

21. Ensure the organizational structure shall include the Sharia board, the internal and sharia audit department and Sharia compliance.
22. Ensure the adherence to the governance standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
23. Ensure allocating part of the bank's website to include clarification on the rights of investment accounts holders.
24. Verify that the general manager implements all decisions and Fatwas issued by the Sharia board and adheres to them.
25. Ensure that Sharia risks, which the bank may be expose to, are included in the ICAAP methodology of the bank.
26. The chairman must undertake the following as a minimum:
  - A. Establishing a constructive relationship between the board and the senior executive management.
  - B. Encouraging expression of opinions on issues discussed in general, and on those that raise different points of view amongst the board members, and encouraging negotiation and voting on such issues.
  - C. Discussing, in detail, the strategic and important issues in the board meetings.
  - D. That all board members receive and sign the minutes of previous meetings, and that they receive the meeting agenda well before the meeting is held. The agenda shall include enough written information about the topics to be discussed in the meeting. The handing of such shall be made via the secretary of the board.
  - E. The availability of a charter governing and identifying the board scope of work.
  - F. Providing each member in the board, once elected, with the concerned laws related to banking; the Central Bank instructions pertaining to the scope of work of the board; a booklet stating the member's rights and tasks; and the secretary's duties.
  - G. Providing each member with sufficient summary on the bank's operations on the date of appointment or upon request.
  - H. With the assistance of both the bank's legal counselor/ legal department manager and the secretary of the board, deliberating with any new member on the board's responsibilities and



roles, especially those relating to legal and organizational requirements, so as to clarify the tasks, authorities, and other matters of membership such as membership term, meetings schedules, committees' responsibilities, remunerations, and the possibility of obtaining independent technical advice when necessary.

- I. Meeting the board members' needs for developing their expertise and continuous learning. The new board member shall participate in an Orientation (induction) Program that suits his/ her banking background and includes, as a minimum, the following topics:
    1. The bank's organizational structure, corporate governance, and code of conduct.
    2. Corporate goals, the bank's strategic plan, and its approved policies.
    3. Financial position of the bank.
    4. The bank's risks profile and Risks management framework therein.
    5. Sharia controls
27. Each board member must undertake the following as a minimum:
- A. To have sufficient knowledge of legislations and principles of banking, the bank's operational environment, and to be up to date with the developments taking place therein as well as with related external updates.
  - B. Attending all meetings of the board, its committees, and of the General Assembly, as necessary.
  - C. Devoting enough time to undertake his/ her roles and duties as board member. The nomination and compensation committee shall find a clear methodology to verify this; (for example but not limited to) the number of memberships of such member in other boards/ bodies/ fora...etc.).
28. The board duties with respect to disclosure and transparency include the following, as a minimum:
- A. Maintain a specific mechanism to ensure interconnection with stakeholders through disclosing and providing significant information on the bank activities by virtue of the following:
    1. General Assembly meetings.
    2. Annual report.
    3. Quarterly reports including financial information, in addition to the board report on bank stocks trading, and its financial position during the year.
    4. Website of the bank
    5. Shareholders relationship section.
  - B. Make sure of allocating part of the bank website to include clarification on shareholders rights, and encouraging them to attend and cast their votes in the General Assembly meetings. This is in addition to publishing meetings documents including complete text of the invitation and meetings minutes.



- C. Make sure that the financial and non- financial information of concern to stakeholders has been published at the earliest convenience.
- D. Make sure that the bank annual report includes a statement from the board to the effect that the board is responsible for the accuracy and sufficiency of financial data, all data included in the report, and the adequacy of the internal controls.
- E. Make sure of the bank's commitment to disclosures defined under the international financial reporting standards (IFRSs), international accounting standards (IASs), Central Bank instructions, and other legislations of concern. The board shall also ensure that the executive management is aware of the changes on International Financial Reporting Standards.
- F. Ensure publishing the corporate governance code on the bank's website and through any other suitable means to make it available for public viewing. The bank shall include and disclose in its annual report the presence of the code, and to what extent the bank complies with its contents.
- G. Ensure that the annual and quarterly reports of the bank include disclosures that enable the current or prospective shareholders to access operations outcomes and the financial position of the bank.
- H. Make sure that the annual report includes the following, as a minimum:
  - 1. Summary of the bank's organizational structure.
  - 2. Summary of the responsibilities and roles of the board committees and any other authorities delegated by the board for such committees.
  - 3. Information of concern to stakeholders contained in the corporate governance code of the bank.
  - 4. Information on each board member in terms of his/ her qualifications, expertise, shares in the capital, being independent or not, membership in board committees, date of appointment, and memberships in other companies' boards.
  - 5. Information on the risk management department including its structure, nature of operations, and developments undergone thereon.
  - 6. Number of the meetings of the board and its committees and the number of each member's attendance of these meetings.
  - 7. Names of all board members and senior executive management who resigned during the year.
  - 8. Summary on remuneration granting policy in the bank, disclosing all remuneration types and forms of the board members on individual basis, and remuneration of all types which have been granted to the senior executive management on individual basis, for the last year.



9. Declarations by all board members stating that neither they nor any related entity received any benefits, whether financial or otherwise, from the bank without declaring it, for the last year.
  10. The board shall ensure the bank's commitment to disclosures defined under the standards of (AAOIFI)- with the disclosures defined under the international financial reporting standards (IFRS) and international accounting standards (IAS) in case there are no standards for Islamic financial institutions- Central Bank instructions, and other related legislations. As well, the board shall ensure that the executive management is aware of the changes on the standards of (AAOIFI) and (IFRS).
  11. Disclosures that enable the current or future investment accounts holders to be informed with the operations results and the financial and Sharia position of the bank, and the board and the sharia board shall ensure that this is included in the bank's annual report.
  12. Information on each member of the Sharia board regarding his/ her qualifications, expertise, date of appointment, and the jobs he/ she currently occupies outside the bank and the names of the resigned members. Also, information on the number of the Sharia board meetings as well as the number of each member's attendance of these meetings shall be included.
  13. Disclosures of the compensations granted to the Sharia board members on individual basis, in addition to declarations by all Sharia board members stating that neither they nor any of their related counterparties received any benefits, whether financial or in- kind from the bank without declaring such, for the previous year.
29. The board shall appoint the board secretary and be responsible for the termination of his/ her services and the determination of his/ her compensations and remunerations. The duties of the board secretary include:
- A. Attending all board meetings, and accurately recording all discussions, suggestions, objections, reservations and voting methods on the drafted board decisions.
  - B. Scheduling the board meetings in coordination with the chairman.
  - C. Verifying that all board members sign the meetings minutes and decisions.
  - D. Following up the execution of decisions made by the board, and the discussion of any topics adjourned from a previous meeting.
  - E. Maintaining the records and documents of the board meetings.
  - F. Taking appropriate actions to ensure that the drafted decisions to be issued by the board are in conformity with the laws and regulations including those issued by the Central Bank.
  - G. Preparing for General Assembly meetings.
  - H. Coordinating with board committees.

- I. Providing the Central Bank with fit and proper declarations signed by board members.

#### **Article (6): Board Meetings and its Committees**

- A. the quorum for any committee meeting shall not be less than (3) members, including the committee chair. It is not permissible to nominate an alternate member in any committee meeting in the absence of any member.
- B. the board members have the right to attend its meetings and those of its committees by any means of video conferencing, provided that the board chairman and the secretary approve the minutes of the board meeting and its quorum, and the committee chair and the secretary approve the minutes of the committee meeting and its quorum.

#### **Article (7): Board Committees**

- A. The board of directors shall form committees from its members, approve the charter for each committee that include as a minimum the committee composition, its duties and authorities, frequency and quorum of its meetings, nomination of a secretary thereof, while defining his/ her duties including accurately recording all discussions, suggestions, objections, reservations and methods of voting on the drafted committee decisions. Such committees shall report periodically to the board. The existence of such committees shall not relieve the board from its responsibilities.
- B. The board shall form the following committees as a minimum:
  - 1. Corporate Governance Committee:**  
It shall consist of at least 3 members, the majority of whom shall be independent, and it shall include the chairman. The committee shall assume the following:
    - a. To oversee the preparation of a corporate governance code and its approval from the board, so that to express the bank's view of corporate governance in terms of its concept, importance and basic principles, in a manner that at least conforms with the legislation in force and ensures the achievement of best practices in this field. This code should be updated whenever necessary.
    - b. To provide the Central Bank with a letter signed by all the committee members confirming that the code conforms with Corporate Governance Instructions for Banks No. (2/2023) dated 2/14/2023. This should be done within two months from the date of any subsequent amendment.



- c. To verify that the observations contained in the report of the Internal Audit Department- or any other relevant body- have been corrected, with regard to the bank's compliance with the corporate governance code.
- d. To inform the Central Bank immediately upon any violations of the provisions and requirements of Corporate Governance Instructions for Banks No. (2/2023) dated 2/14/2023.

## **2. Audit Committee:**

- A. Subject to the Banking Law, the majority of the committee members including the committee chair shall be independent members. The chair of the committee shall not be a chair of any other committee derived from the board, nor the committee shall include the chairman.
- B. The majority of the committee members must have academic qualifications in the fields of accounting, finance, or to have professional certifications in these two areas. They must also have relevant experience in the fields of accounting, finance, external audit, internal audit, or banking.
- C. In case any member of the audit committee of the Islamic bank does not have appropriate expertise in Islamic bank's business, he/ she shall be subjected to appropriate training program in fields of the standards of accounting and auditing, and the Sharia controls and the standards issued by (AAOIFI) and (IFSB).
- D. Subject to the Banking Law regarding the committee tasks and authority, it shall review the following matters:
  - 1. Scope, outcomes, and adequacy of the internal and external audit in the bank.
  - 2. Accounting issues that have material impact on the bank financial statements.
  - 3. Internal control systems.
- E. The committee shall recommend to the board the appointment of the external auditor, the termination of their service, determination of their fees, their independency assessment and any other provisions relating to contracting with them. This is in addition to any other services assigned to the auditor.
- F. The committee charter shall include the following:
  - 1. The committee shall possess the authority to get any information from the executive management either directly or through the internal and sharia audit manager.
  - 2. The committee shall has the right to call any administrator to attend any of its meetings.
- G. The committee shall hold meetings (separate meetings) with the external auditor, Chief Compliance Officer, Internal and Sharia Audit Manager, Chief Sharia Compliance Officer at least once a year without the presence of other senior executive management members.
- H. The committee shall review, oversee and ensure that the bank has appropriate and effective whistleblowing procedures, which enable the employee to speak up in a confidential way about any errors in the financial statements, Sharia breaches or any other matters. The committee shall also



ensure the availability of arrangements necessary for independent investigation and shall ensure following up investigation outcomes, and treatment actions in an objective manner.

- I. The committee shall verify that the internal audit department complies with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA), including conducting an independent external evaluation of the internal audit activity at least once every five years and providing the Central Bank with a copy thereof.
- J. The Committee shall verify the availability of sufficient resources and a sufficient number of qualified human staff for the Internal and Sharia Audit Department and enrolling them in specialized training programs, including those in the field of corporate governance, provided that the employees of the internal sharia audit department meet the following minimum requirements:
  1. An appropriate university degree along with knowledge of the principles of the Islamic financial transactions and the terms of every contract and the reasons behind its being void.
  2. Experience and knowledge of standards issued by the (AAOIFI) and (IFSB).
- K. The committee shall verify that the internal audit staff are rotated to the bank audit activities every three years as a maximum. In the event of the inability to achieve this in certain areas, the committee's approval shall be taken regarding the justifications for non- compliance, especially in specialized cases such as the information technology and cybersecurity audit.
- L. The committee shall verify that the internal audit staff are not assigned any executive tasks.
- M. The committee shall ensure that all activities of the bank are subject to internal and sharia audit- in accordance with the risk- based approach- including outsourced activities.
- N. The committee shall evaluate the performance of the internal and sharia audit manager and determine his/ her remunerations in accordance with the performance appraisal policy approved by the board.
- O. Recommending to the board to approve the appointment of the internal and sharia audit manager, accepting his resignation or terminating his services, based on the recommendations made by the nomination and compensation committee in consultation with the sharia board, provided that the prior No- objection is obtained from the Central Bank, and the Central Bank has the right to call upon him to inquire about the reasons of resignation or termination of services.
- P. Verify the rotation of the internal sharia audit employees to audit various bank activities every three years as a maximum. In the event that this is not possible in certain areas, the Committee's approval must be obtained on the justifications for non-compliance, especially in specialized cases.
- Q. Verify that none of the internal sharia audit employees is assigned with any executive tasks.
- R. recommend to the board to approve the internal and sharia audit charter and verify that it includes the tasks of the internal and Sharia audit department, provided that it shall include the duties, authorities and work methodology of the internal audit department, before circulating it within the bank.
- S. Ensure the adequacy and efficiency of the internal Sharia audit department through reviewing its reports and the executive management's feedback on such reports.





T.Ensure the capability of the external auditor to review the compliance of the bank with the Sharia controls within the conditions stated in the engagement letter signed with him and make sure he is doing so.

### 3. Nomination and compensation committee:

- a. This committee consists of at least 3 members, the majority thereof including the chair are independent members.
- b. This committee shall have the following roles:
  1. Studying the fit and proper of the members nominated to join the board taking into consideration the candidates' capabilities and qualifications, and raising proper recommendation thereon to the board. In case of a member being re- nominated, his/ her attendance and efficient participation in the board and committees meetings must be considered.
  2. Ensure that the candidate to join the board's membership has knowledge of banking activities that are compatible with the provisions of Islamic sharia.
  3. Informing in writing any member (including the representative of the legal entity), who applies to join the board, of the board's decision which states that he/ she does not meet the provisions of corporate governance instructions for banks No. (2/2023) dated 2/14/2023.
  4. Recommending to the board the qualified candidates to join the senior executive management.
  5. Ensuring that the board members attend banking- related workshops or seminars, especially risks management, corporate governance, and the latest banking developments, especially in the latest Islamic banking developments.
  6. Ensure that the Sharia board members attend banking- related workshops or seminars, especially in the latest Islamic banking developments.
  7. Determining whether the member fulfills the independent member requirements, taking into consideration the minimum conditions stipulated for in Article (4/e) of this guide, and reviewing such on an annual basis. The Central Bank should be provided with any updates on the independence of any of the independent members.
  8. Assessing annually the performance of the board as whole, and of its individual committees and members, while following defined and approved assessment basis that is built on objective assessment standard. The results of this assessment shall be reported to the Central Bank. The board members (other than those of the Nomination and Compensation Committee) shall, on an annual basis, assess the performance of the Nomination and Compensation Committee and its individual members.
  9. Providing board members upon request with the required information and summaries on some important matters in the bank, and making sure to keep them abreast of current topics related to the banking sector.
  10. Developing a performance appraisal and compensation policy for the bank's administrator, and reviewing it periodically. This policy should include a mechanism for determining the salaries,



remunerations, and other privileges of the general manger and other executive management members. The committee does not have the right to delegate this task to the executive management, and this policy must be approved by the Board.

11. Verify having an experience of at least five years in Islamic banking by the candidates to be appointed in the senior executive management before approving their appointment. Otherwise, the member of the senior executive management shall be subjected to a comprehensive qualifying training program, of no less than three months, in the fields of Islamic banks, accounting and governance standards, Sharia standards issued by (AAOIFI), and (IFSB).
12. Study the fit and proper of the candidates nominated to join the sharia board, taking into account their qualifications and experience. Also, in the case of re- nominating the member, the number of his attendance, and the effectiveness of his participation in the meetings of the Sharia Board must be considered, and it shall recommend to the board the names of those candidates.
13. Set specific, approved and objective bases for the purposes of performance appraisal of the sharia board and its members.
14. Verify the fit and proper of the member of the sharia board, taking into account the minimum conditions mentioned in paragraph (9/ b) of this guide, review this on an annual basis, and provide the Central Bank with any updates on the fit and proper of the member.
15. Recommend to the board the approval of a policy to determine the compensations of the members of the sharia board.

#### **4. Risk Management Committee:**

- a. This committee shall consist of, at least, three members, the majority of whom, including the chair, should be independent members.
- b. The committee shall convene at least once every three months and whenever necessary.
- c. The committee shall have the following roles:
  1. Ensuring the availability of a comprehensive risk management strategy for the bank that includes the type and level of risk appetite for all bank's activities.
  2. Verifying the availability of policies and tools for identifying, measuring, analyzing, assessing and controlling risks, while reviewing such on an annual basis as a minimum to ensure their effectiveness and amending them when necessary.
  3. Verifying the availability of a risk management system that ensures the accuracy and adequacy of the data used to identify, measure, analyze, assess and control the risks and losses that may result from them, and maintain the necessary capital to meet them.
  4. Ensuring the effectiveness of the risk management department's work procedures and assessing the extent to which the executive management abide by the approved policies and procedures.
  5. Reporting to the board periodically on the risks to which the bank is exposed, including the exceeding of the accepted risk appetite levels and the procedures to treat them.
  6. Following up developments that impact the bank's risk management.



7. Ensuring the availability of risk management measures, including but not limited to:
  - a. Risk self- assessment and risk indicators.
  - b. Preparing a historical database of losses, identifying the sources of such, and classifying them according to the type of risk.
  - c. Ensuring the availability of the necessary equipment, appropriate automated systems and quantitative methods.
8. Ensuring the availability of sufficient resources and enough qualified human staff for the Risk Management Department and enrolling the latter in specialized training programs.
9. Assessing the performance of Chief Risk Officer and determining his/ her remunerations in accordance with the performance appraisal policy approved by the board, after seeking the opinion of the general manager.

#### **5. Compliance Committee:**

- a. This committee shall consist of, at least, three members, provided that they include an independent member.
- b. The committee shall convene once every three months and whenever necessary.
- c. The committee shall have the following roles:
  1. Ensuring the availability of the bank's compliance policy and procedures issued pursuant thereto, in order to guarantee the establishment of a compliance function capable of performing its tasks effectively. The committee should conduct, at least once a year, an assessment of the effectiveness of the bank's management of non- compliance risks.
  2. Approving the annual plan and reviewing the periodic reports prepared by the Compliance Department, which include non- compliance risks assessment, violations, deficiencies and corrective measures taken.
  3. Overseeing the implementation of the bank's compliance policy, and making sure that the bank's executive management resolves all compliance- related issues in an appropriate and effective manner.
  4. Overseeing the Compliance Department work, and ensuring that appropriate mechanisms are in place to monitor the compliance of all administrative levels in the bank with all regulatory requirements, legislations in force, and international standards, including the recommendations of the Financial Action Task Force (FATF).
  5. Ensuring the availability of sufficient resources and qualified human staff for the Compliance Department and enrolling the latter in specialized training programs.
  6. Assessing the performance of the Chief Compliance Officer and defining his/ her remunerations in accordance with the performance appraisal policy approved by the board, after seeking the opinion of the general manager.



**It is prohibited for any board member to be the chair of more than one of the committees mentioned above, nor he/ she can be the chair of more than two of all board committees. The authorities of any board committee mentioned hereof shall not be delegated to any other party. Banks are also prohibited from forming any committee that has any executive authorities, while this does not include the “credit committee” stipulated in this guide.**

## **6. Credit Committee:**

The board constitutes this committee to look exclusively into credit exceeding the authority of the highest committee in the executive management, as follows:

- A. The number of the committee members shall not be less than five, one of whom can be independent but not any of them a member in the audit committee.
- B. Its authorities shall be exclusively to take suitable decisions for such credit facilities, which have been recommended by the above-mentioned executive committee.
- C. The highest limits of the authorities granted to this committee with regards to granting, adjusting, renewing, restructuring, scheduling, or settling the credit facilities shall be defined in a way to make such authorities clear for the board.
- D. The minimum quorum to hold the committee meetings is at least four members, and the decisions should be taken by the majority regardless of the number of present members.
- E. It shall report to the board the details of the credit facilities it has approved.

## **7. IT governance committee:**

- A. The committee must consist at least three members that will be elected based on their experience and strategic knowledge in the Information technology field.
- B. The committee must hold meetings on a quarterly basis at least.
- C. The committee shall be responsible for the following:
  1. The committee shall approve the strategic objectives of IT and the appropriate organizational structure, including the steering committees, specifically at the 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 resource 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 financial and operational efficiency.

2. 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 instructions through the continuous fulfillment of the institutional objectives, along with the achievement of the accompanying IT objectives' matrix, and covering the processes of IT governance.
3. The committee shall approve the institutional objectives matrix and the accompanying IT objectives, consider their givens as minimum requirements, and describe the sub-objectives needed to achieve them.
4. 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), person(s), or party(s) primarily responsible, those who are ultimately responsible (accountable), those who are consulted, and those who are informed for all processes in light of COBIT 2019 enabling processes in this regard.
5. 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 risk management in the bank, considering and achieving all IT governance processes.
6. The committee shall approve the IT projects and resources' budget in accordance with the bank's strategic objectives.
7. 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.
8. The committee shall monitor IT auditing reports and take the necessary actions to handle deviations.
9. The committee shall give recommendations to the Board to take the necessary actions to correct any deviations.
10. Establish the importance and prioritization of the Governance and Management Objectives, and assess their alignment with Enterprise Goals and Alignment Goals, as well as their relationship with the seven Enablers (or Components) outlined in the IT Governance and Management Guidelines No. (65/2016). This should be based on a qualitative and/or quantitative study conducted at least annually, taking into consideration the Design Factors identified in the COBIT 2019 Design Guide.
11. Submitting periodic reports to the board.



## Article (8): Sharia Supervision Board

Taking into consideration article (58) of the Banking Law no. (28) of year (2000) and its amendments, the bank shall comply with the following in respect to the sharia board:

### A. The board of the bank shall be responsible for the following:

1. Ensure the presence of a fit and proper sharia board and a system of Sharia controls that includes an internal Sharia supervisory system to achieve effective and independent Sharia supervision over each unit of the bank. The board shall also approve appropriate supervisory and Sharia controls that enable it to accountable the senior executive management.
2. Ensure obtaining the opinion of the sharia board on all policies (including investments, the distribution of profits, allocation of losses, and avoiding earnings on the investment accounts), contracts, transactions, agreements, products and services related to the banking operations only, while non- banking contracts, transactions and agreements shall be presented to the sharia board if they contain sharia dimensions.
3. Ensure the fit and proper of the members of the Sharia board at the beginning and continuation.
4. Performance appraisal of the Sharia board as well as its members on an annual basis according to an assessment system developed by the nomination and compensation committee. Such system shall set key performance indicators that include as a minimum the extent to which the Sharia board achieves its tasks, and the effectiveness of Sharia controls and supervision system. In addition, these performance assessment standards shall include the role of the member in the meetings of the Sharia board as well as comparing his/ her performance with other members of the Sharia board. A feedback shall be obtained from the assessed member in order to improve the assessment process, and the bank shall notify the Central Bank of this assessment.
5. Ensure signing an engagement letter between the Sharia board and the bank in which the scope of the Sharia board work is specified in addition to its tasks and compensations.
6. Ensure that the Sharia board has the necessary information and unrestricted access to all bank's activities and to contact any administrator in the bank, and has all the authorities that enable it to perform its tasks.

### B. The Sharia board Meetings:

1. The Sharia board shall periodically meet to carry out periodical reviews and to follow up the Sharia compliance of the bank transactions, provided that the meetings shall not be less than



- (6) meetings a year, and the Sharia board shall meet with the board, the audit committee and the external auditor at least once every six months.
2. The Sharia board members have the right to attend its meetings by any means of video conferencing to discuss the agenda of the meeting, provided that the Chair and the Secretary of the Sharia board ratify the minutes of the meeting and its quorum.
  3. The senior executive management, enough time ahead of the Sharia board meeting, shall present full and accurate information to Sharia board members, and the chair of the Sharia board shall verify that.
- C. The Sharia board shall consider the Sharia' and the legislative environment in the Kingdom- taking into consideration the provisions of paragraph (53/ a) of the Banking Law no. (28) of year (2000) and its amendments-.
  - D. The Sharia board shall establish a procedures manual that includes the working system of the Sharia board; its specializations and tasks; regulating its relationship with the board and the senior executive management; the mechanism of submitting its reports to the management, the board, and the shareholders; its approach in Sharia supervision and the mechanism of its meetings.
  - E. The Sharia board shall suggest the Sharia training programs for the bank's administrators.
  - F. The Sharia board shall attend the general assembly meetings and read the report of the Sharia board by its chair or whoever he delegates out of the Sharia board members.
  - G. The Sharia board shall give an opinion of the Memorandum of Agreement and the Article of Association of the bank, and ensure their compliance with the Islamic Sharia provisions and principles.
  - H. The Code of Conduct of the bank shall apply to the members of the sharia board.
  - I. The member of the Sharia board shall avoid conflict of interests and maintain justice and fairness among stakeholders.
  - J. The Sharia compliance officer shall be appointed as secretary of the Sharia board, and shall carry out the following tasks:
    1. Attending all the Sharia board meetings and precisely documenting in writing all the discussions, suggestions, objections, reservations, and the voting methods on the Sharia board decisions.
    2. Scheduling the dates of the Sharia board meetings in coordination with the chair of the Sharia board.



3. Preparing for the Sharia board meetings and receiving Sharia inquiries from all bank's departments to present them to the Sharia board.
  4. Verifying that the Sharia board members sign on the meetings minutes and decisions.
  5. Following up the implementation of Fatwas and decisions taken by the Sharia board, and providing the internal and Sharia audit department and Sharia compliance department with such and with any amendments or developments thereto, in order to notify and work on them, and follow up on the discussion of any topics adjourned from a previous meeting.
  6. Maintaining the records and documents of the Sharia board meetings.
  7. Providing the Central Bank with the fit and proper declarations of the Sharia board members.
- K. The Sharia board shall carry out the activities of the Fatwa and Sharia supervision according to the following:
1. Give opinion of and approve all policies (including investments, the distribution of profits, allocating losses, and avoiding earnings on the investment accounts), contracts, transactions, agreements, products, services related to banking operations only, and non- banking contracts of transactions and agreements if they contain sharia dimensions.
  2. Agree on allocating any losses resulting from the bank's operations regarding the holders of investment accounts.
  3. Review the policies and instructions related to the Islamic Sharia provisions and approve them.
  4. Provide consultation to the parties providing services to the bank such as auditors, lawyers, and consultants.
  5. Approve semi- annual/ annual report about the Sharia commitment, which includes the efficiency of internal Sharia controls and any weaknesses in the systems of the Sharia controls and the internal Sharia supervision, which have a crucial impact. The semi- annual report shall be submitted to the board of directors and the annual report to the general assembly of shareholders with a copy of each sent to the audit committee and the Central Bank.

#### **Article (9): Fit and Proper criteria of Sharia Supervision Board Members**

The bank shall ensure the fit and proper of the Sharia board members through the following:

- A. The board shall approve a policy to ensure the fit and proper of the Sharia board members. Such policy shall include the minimum standards, requirements, and conditions to be fulfilled by the nominated and appointed member. This policy shall be subject to review whenever needed.





- B. Those who assume the chair and membership of the Sharia board must meet the following requirements:
1. To hold a Bachelor degree, as a minimum, in Sharia science in the fields of Islamic jurisprudence and principles, Islamic economy, or Islamic finance.
  2. To have at least a three- year experience in issuing Fatwa and Sharia provisions and/ or experience in teaching or research of no less than four years after graduation.
  3. Not to get any funding for himself/ herself, his/ her spouse, or for any of his/ her second degree relatives from the bank or from any of the subsidiary companies of the bank during his/ her membership in the Sharia board.
  4. Not to have worked as an employee of the bank or of any of its subsidiary companies during the two years prior to the date of nomination.
  5. Not to be a member of a Sharia board at any other licensed Islamic bank in the Kingdom. Neither shall he/ she be a member of Sharia boards of more than four financial institutions that do not accept deposits and are operating in the Kingdom.
  6. Not to 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 the services, and/ or ordinary business, which the bank delivers to its clients provided that the same terms, of similar transactions with any other party, are applied without any preferential terms.
  7. Not up to a second degree relative to any of the board's members or any other person from the senior executive management at the bank. He/ she shall not get from the bank any salary, cash amounts, compensation, privileges, or gifts except what he/ she receives in return of his/ her membership in the Sharia board or in return of any additional tasks he/ she is assigned without affecting his/ her fit and proper.
  8. Not to be a shareholder of the bank, a shareholder of any of the subsidiary companies of the bank, or a shareholder of the group owning the bank.
- C. The chair/ member of the Sharia board in the bank shall be appointed for four renewable years.
- D. The bank shall obtain a no- objection letter from the Central Bank to nominate any person for membership of the Sharia board, provided that the recommendations of the Nomination and Compensation Committee and of the board, the declaration (according to the attached form No. (3) and its annex), the nominee's CV, academic certificates, experience certificates, a certificate of no- criminal record, and a copy of the identification card (passport for non-Jordanians) are attached to the no-

objection request. The Central Bank will not consider any no- objection request unless it is completed with the above attachments.

- E. The chairman of the board shall make sure that the Central Bank is notified of any material information that may negatively affect the fit and proper of any member in the Sharia board.
- F. When there is a need to appoint members of the Sharia board who reside outside the kingdom, the number of such members shall not exceed half of the Sharia board members.

#### **Article (10): The Executive Management Tasks**

- A. To execute and manage the bank's activities in accordance with the strategies/ policies approved by the board, systems, risk management, operations and controls necessary to manage all kinds of risks to which the bank is exposed, to ensure that the levels of risk appetite approved by the board are not exceeded, and to comply with all legislations in force and the bank's internal policies.
- B. To verify that there are comprehensive work procedures for all bank's activities, that are in line with the legislations in force and the strategies/ policies approved by the board, provided that these procedures are approved by the general manager (except for the supervisory departments since they must be approved by the relevant committee/ sharia board), and to ensure that these procedures are applied.
- C. To prepare the financial statements.
- D. To develop the general organizational structure of the bank and approve it by the board, as well as developing the sub- organizational structures of all units operating in the bank and approving them by the general manager, except for the sub- organizational structures of the supervisory departments in local banks that are approved by the board based on the recommendation of the relevant committee/ authority, provided that these structures indicate the hierarchical order and reflect the lines of authority and responsibility in a detailed and clear manner, and that the general organizational structure includes, at a minimum, the following:
  - 1. The board and its committees.
  - 2. The executive management and its committees.
  - 3. Separate departments for risk management, compliance, and internal and Sharia audit, in a manner that enables them to carry out their tasks with complete independence including not performing any executive activities, so that their connection to the relevant committee is shown in a continuous line and in a dotted line with the general manager.



4. Units that are not engaged in the executive activities such as the employees of credit review and middle office.
5. Subsidiaries and foreign branches.
- E. To prepare an annual budget, approve it by the board and periodically reporting to the board showing the deviation of the actual performance from the estimated and its reasons.
- F. To refrain from doing any practices that could affect the independency and objectivity of the supervisory departments, since the cooperation of these departments with the bank's various units and the executive management is essential to carry out their tasks. Supervisory departments are required to inform the senior executive management of any important issues that require immediate measures to be addressed if they are identified by any of these departments. This does not prevent these departments from informing the relevant committee/ sharia board about these matters.
- G. To provide the supervisory entity, the external and internal audit and any other relevant entities, at the time specified by such entities, with the required information and statements which are necessary to carry out their tasks in an optimal manner.
- H. To develop the bank's Code of Conduct, approve it by the board, and circulate it among all administrators in the bank.
- I. To develop the skills and professional behavior of the bank's employees to comply with the latest standards of ethics and code of professional conduct.
- J. To verify that there are appropriate supervisory controls for each activity or operation, and to separate the procedures administratively and practically among the tasks of approval and execution.
- K. The general manager, in addition to legislations in force, shall:
  1. Develop the strategic direction of the bank.
  2. Implement bank's strategies and policies.
  3. Implement the board decisions.
  4. Provide guidance for executing short and long- term action plans.
  5. Establish mechanisms to convey bank's vision, mission and strategy to employees.
  6. Inform the board of all important aspects of the bank's activities.
  7. Manage the daily activities of the bank.
  8. To approve a detailed description of the tasks of each organizational unit (except for the supervisory departments that must be approved by the relevant committee/ sharia board), provided that all staff of the bank are informed of it each according to their specialization.



#### **Article (11): Fit and Proper criteria of the Senior Executive Management Members**

- A. The board shall approve a policy to ensure the fit and proper of the senior executive management members in the bank. Such policy shall include the standards, requirements and conditions that must be met by any member of the senior executive management. The board shall review this policy periodically, and set out adequate procedures and systems to ensure that all senior executive management members meet the fit and proper criteria and continue to do such.
- B. The board shall verify that the general manager enjoys integrity and has technical competency and banking expertise.
- C. The bank shall obtain the board's approval on appointing/ transferring/ promoting/ assigning or accepting the resignation of, or terminating the services of any of the senior executive management members in the bank.
- D. The board shall set up a succession plan to the senior executive management members in the bank, and review it at least once a year.
- E. The chairman shall ensure that the Central Bank is notified of any material information that may negatively affect the fit and proper of any member of the senior executive management.
- F. Any member appointed in the senior executive management of the bank shall meet the following conditions:
  - 1. Not to be a board member of any other bank unless it is a subsidiary.
  - 2. To be fully devoted for the management of the bank's activities.
  - 3. To hold a bachelor degree, as a minimum, in economics, finance, accounting, business administration, or any other similar specialties related to the bank business.
  - 4. To have at least five years of experience in the field of banking (mostly in the field of the job for which he is nominated) or related business, except for the general manager who must have at least ten years of experience in the field of banking.
  - 5. Not to be a major shareholder and not to be related to the chairman of the board, or any of the board's members, or any major shareholder in the bank up to a third degree kinship in the case of the general manager, and to a first degree kinship in the case of any other member of the senior executive management.



- G. The Bank shall obtain a No- Objection from the Central Bank before appointing/ transferring/ promoting/ assigning any member of the senior executive management, provided that the board's decision, the relevant committee's recommendation, the approved general organizational structure, the member's declaration (according to attachment (2) and its annex), CV, academic and experience certificates, a no- criminal record certificate, and a copy of the identification card (passport for non-Jordanians) shall be attached to the No- Objection request, since the Central Bank will not consider any No- objection request unless it is complete with the above attachments.
- H. The Bank shall obtain a No- Objection from the Central Bank on the resignation or termination of the services of the general manager, the internal and Sharia audit manager, risk management manager, compliance manager, Sharia compliance officer, and the Central Bank has the right call upon any administrator to inquire about the reasons of resignation or termination of services.

#### **Article (12): Conflict of Interests**

- A. The board shall approve a policy that governs conflict of interests of all forms including those arising from the bank's connection to the companies within the banking group, and shall approve the necessary measures to ensure the adequacy of the controls and internal supervision to monitor the compliance to this policy and prevent violations thereof. This policy shall include the following as a minimum:
  - 1. Avoid activities that result in a conflict of the bank's interest and the interest of any administrator in the bank or of any sharia board member of all forms.
  - 2. Immediate disclosure upon the verification of any issue that resulted in or may result in a conflict of the bank's interest and the interest of any administrator in the bank or of any sharia board member of all forms.
  - 3. The board member shall not disclose the confidential information of the bank or use it to his/ her own interest or for the benefit of others, and the representative of the legal entity shall not disclose any confidential information circulated during the meetings of the board or its committees to any person, including any administrator of the legal entity.
  - 4. The board member shall favor the bank's interest in all business transactions conducted with any other company in which he/ she has a personal interest. In addition, he/ she shall not use the bank's commercial business opportunities to his/ her own interest, and shall avoid conflict of interests and disclose to the board in detail any conflict of interests, if any, with a commitment not



- to attend a meeting or participate in a decision taken therein, where such a topic is discussed, and to record this disclosure in the minutes of any meeting of the board or its committees..
5. Examples of cases that result into conflict of interests, provided that they include conflicts that arise between the interest of the board member and the interest of the bank, or between the interest of the member of the Sharia Board and the interest of the bank, or between the interest of the member of the executive management and the interest of the bank, or between the interest of any of the companies within the banking group, subsidiaries or affiliates of the bank and the interest of the bank.
  6. Identify the bank's related counterparties in accordance with the legislations in force and determine the conditions of transactions with those parties in a manner that ensures that the bank's related counterparty does not get better conditions than the conditions applied by the bank to another customer who does not have a relationship with the bank, and this includes all the bank's transactions with any of the companies within the banking group of which the bank is a part.
  7. Determine the nature of transactions with the related counterparties to include all types of transactions without being limited to credit facilities only.
  8. Procedures followed by the bank when identifying cases of non- compliance with the above policy.
- B. The Board shall approve a code of professional conduct enabling the bank to carry out its business with high integrity, and includes at a minimum the cases that may result in a conflict of interests, and shall verify that it has been circulated to all administrative levels of the bank.
  - C. The internal audit department shall conduct a test at least once a year to ensure that all the transactions carried out with the bank's related counterparties have been executed in accordance with the legislations in force and the bank's internal policies and approved procedures, and it shall submit its reports and recommendations thereon to the audit committee. The audit committee shall inform the Central Bank upon verification of any violation of any of the legislations in force and internal policies in this field.
  - D. The board shall ensure that the executive management has high integrity in conducting their work, avoids conflict of interests, and objectively implements the approved policies and procedures.
  - E. The board shall approve controls for transfer of information among the various departments to prevent its exploitation for personal interest.



### Article (13): Assessment of administrators Performance

- A. The board shall ensure the presence of a system to assess its business and its members and committees' businesses. Such system shall include the following at a minimum:-
1. Key Performance Indicators (KPIs) derived from strategic plans and goals to be used for performance appraisal of the board and its committees.
  2. The communication between the board and the shareholders, and its periodicity.
  3. Periodicity of the meetings between the board and the senior executive management.
  4. The member's attendance of the meetings of the board and its committees and his/ her active participation in these meetings, as well as comparing his/ her performance with that of other members. A feedback shall be obtained from the concerned member in order to improve the evaluation process.
  5. The extent to which the member has developed his knowledge of the banking business through his/ her participation in training programs.
- B. The board shall annually assess the performance of the general manager according to a system prepared by the nomination and compensation committee and approved by the board, where it includes setting key performance indicators. The assessment standards of the general manager performance shall include at a minimum the financial and administrative performance of the bank compared to the size of the risks, and the general manager achievement of the bank's medium and long- term plans and strategies. A suitable weighting is set for each item of the assessment, provided that the committee shall notify the Central Bank of this assessment.
- C. The board shall approve a system to measure the performance of the bank's administrators other than the board members and the general manager. Such system shall take into consideration performance indicators that differ according to the nature of the departments' business and the extent to which they achieve their goals, provided that it shall include, as a minimum, the following:
1. A suitable weighting to measure the compliance with the framework of the risk management department and the compliance department and the implementation of internal controls and organizational requirements.
  2. Gross income or profit shall not be the sole factor to measure the performance; that is other factors shall be considered to measure the performance of administrators such as, risks



associated with major operations and the achievement of every department's goals and their annual plans, in addition to measuring customer satisfaction as applicable.

- D. The performance of the internal audit department's employees shall be assessed by the internal audit manager, in accordance with the performance appraisal policy approved by the board.

#### **Article (14): Financial Compensations for the administrators**

- A. The board shall set procedures to determine its members' compensation based on the approved assessment system.
- B. The policy for granting financial compensation shall include the following elements as a minimum:
1. To be designed to recruit and retain competent, skilled and experienced administrators as well as to motivate them and develop their performance.
  2. The controls related to the compensation of the chairman of the board, its members and committees for the tasks they carry out as stipulated in this guide; these compensations may vary according to the performance assessment of the board/ committees/ members and the bank's solvency and performance.
  3. To be designed to ensure that the administrators are motivated to achieve the bank's goals without causing high risks that may negatively affect the bank's solvency or reputation or expose it to legal risks.
  4. Granting the financial compensation shall not be based on the current year performance only, but it shall be based also on the medium and long- term performance (3-5) years.
  5. A mechanism for postponing the payment of a reasonable percentage of the compensations (excluding salaries), so that this percentage and the period of postponement are determined based on the nature and risks of the work as well as on the concerned administrator's activities.
  6. The form of compensation shall be determined in the form of fees, salaries, allowances, bonuses, stock options or any other benefits, provided that the instructions of effective interest ownership are considered.
  7. A mechanism for claw back the deferred compensation granted to the administrator in case it turns out later that there are any problems in his/ her performance or that he/ she exposed the bank to high risks due to the decisions that fall within his/ her authorities and were taken by him/ her and could have been avoided.





8. Financial compensations shall not be granted to administrators of supervisory departments based on the results of the work of the departments under their supervision.

#### **Article (15): Internal and Sharia Audit Department**

- A. The board shall take the necessary measures to promote the effectiveness of the internal and sharia audit by giving the necessary importance to the internal and sharia audit activity and establishing it in the bank, ensuring and enhancing the independence of internal and sharia auditors, and giving them an appropriate position in the bank's career ladder. The board shall ascertain that they have the knowledge, skills and competence necessary to perform their tasks, and shall guarantee their access to all records and information, and to contact with any administrator to enable them to perform the duties assigned to them and prepare their reports without any interference.
- B. The board shall verify that the internal and sharia audit department is subject to the direct supervision of the audit committee, and that it reports directly to the audit committee with a copy sent to the general manager. In addition, the general manager has the right, with the approval of the audit committee chair, assign the internal and sharia audit department with assurance or consulting tasks, provided that this assignment does not affect the independence of the internal and sharia audit department.
- C. The internal audit department:

The internal audit shall carry out the following tasks as a minimum:

1. Verifying the adequacy of the internal control and monitoring systems for the activities of the bank and its subsidiaries and compliance with them, and reviewing and documenting any modifications made to the structure of these systems.
2. Developing an audit plan that comprises the bank's activities including the activities of other supervisory departments and outsourced activities, according to the risk degree of these activities, provided that this plan is approved by the audit committee.
3. Reviewing the compliance with the corporate governance code and its related policies and charters on an annual basis, preparing a detailed report thereof, and submitting it to the audit committee with a copy sent to the corporate governance committee.
4. Reviewing the accuracy and comprehensiveness of stress testing in accordance with the methodology approved by the board.



5. Ensuring the accuracy of the procedures followed for Internal Capital Adequacy Assessment Process (ICAAP).
  6. Auditing the financial and managerial matters.
  7. Following up the violations and observations included in the reports of the supervisory authority and the external auditor, and making sure to address them and that the executive management has the appropriate controls to prevent their recurrence.
  8. Ensuring the availability of the procedures required for receiving, handling and keeping the complaints of the bank's customers, and the observations related to the accounting system, internal control, auditing processes, and submitting periodic reports thereof.
  9. Keeping the audit reports and working papers, for a period consistent with the provisions of the legislations in force in this regard, in an orderly and safe manner to be ready for reviewing by the supervisory authority and the external auditor.
- D. The internal sharia audit department:
1. The internal sharia audit department shall share draft preliminary reports and observations with the Sharia board to obtain their opinions and conclusions regarding Sharia issues when needed.
  2. The audit committee shall make sure that the internal Sharia audit department is capable of carrying out the following tasks as a minimum:
    - A. Ensure the presence of an appropriate governance framework in line with the principles and rules of Sharia.
    - B. Check and assess the adequacy and effectiveness of the internal Sharia supervisory system in the bank.
    - C. Follow up the compliance of the bank to Sharia aspects, Fatwa and decisions issued by the Sharia board.
    - D. Follow- up the Sharia observations and violations contained in the reports of the supervisory entity and the external auditor, and ensure that they are addressed and that appropriate controls are in place with the executive management so as not to repeat them.
    - E. Set the internal Sharia audit plan, which contains bank's activities related to Sharia aspects including supervisory departments' activities according to the level of Sharia risks in those activities and commit to implement its provisions, provided that it is approved by the audit committee.



- F. Check the liabilities and finances classified as Non- Performing Facilities or those which have been decided to be written off, and which have been funded by the joint investment accounts to verify not having trespassing or negligence by the bank.
- G. Filtrate the gains violating Sharia and follow up the way they are dealt with as per the Sharia board decisions.
- H. Verify that the executive management sticks to the policy which organizes the relationship among the shareholders and the investment accounts holders, in particular the bases of dividends distribution.
- I. Submit an annual report about the efficiency and effectiveness of internal Sharia control and supervision systems, and any weakness in those systems, while providing proper corrective recommendations, to the audit committee and a copy for the Sharia board.

#### **Article (16): Risk Management Department**

- A. The board shall ensure the independence of the risk management department and grant the department the authorities required to access information from other bank's departments and to cooperate with other committees to perform its tasks.
- B. The board shall verify the remedy of the overrides beyond the risk appetite, including accountability of the concerned senior executive management with such overriding.
- C. The board shall make sure that the risk management department uses periodical stress testing to measure the bank's ability to withstand the high risks & stressed conditions. The board shall have also the main role in approving the used assumptions and scenarios, discussing the results of such tests, and approving the procedures to be taken in light of these results.
- D. The risk management department shall carry out the following tasks as a minimum:
  - 1. Implementing the risk management strategy in addition to developing policies and work procedures to manage all risks types.
  - 2. Developing a risk management policy(s) that covers all bank's activities and sets clear scale and thresholds for each type of risk, and ensuring that all the employees, each according to his/ her administrative level, are fully informed and aware of this/ these policy(s), while reviewing them periodically, provided that the risk management policy(s) shall be approved by the board.



3. Developing a comprehensive statement for all the risk appetite by the bank and approving it by the board.
4. Reviewing the risk management framework in the bank and approving it by the board.
5. Developing the internal assessment statement for the adequacy of the bank's capital, reviewing it periodically and verifying the implementation thereof, so that it shall be comprehensive, effective and capable to identify all risks that the bank may expose, taking into consideration the strategic plan of the bank and the capital plan, and the board shall approve it.
6. Developing methodologies to identify, measure, analyze, assess and monitor every risks type.
7. Verifying the integration of the risk measurement mechanisms with MIS used therein.
8. Developing business continuity plan and approving it by the board, provided that it is checked periodically.
9. Before launching/ introducing any new (product/ service/ process/ system), ensuring that it is consistent with the bank's strategy, and that all risks arising therefrom, including operational/ information security/ cyber risks, have been identified and that the new supervisory controls and procedures or amendments made are in accordance with the bank's risk appetite threshold.
10. Providing necessary information on the bank risks, to be used for disclosure purposes.
11. Recommending the risk management committee on the bank exposures to risks, and recording the cases of exceptions to risk management policy.
12. Monitoring the adherence of the bank's executive departments with the risk appetite levels.
13. Reporting to the board through risk management committee, with a copy sent to the general manager that includes information on actual risk profile of all bank's activities compared with the risk appetite document, and following up the remedy of negative deviations. The executive management has the right to request special reports, as needed, from the bank's risk management department.

#### **Article (17): Compliance Department**

- A. The board shall ensure the independence of compliance department.
- B. The board shall approve the tasks of the compliance department, so that these tasks are as a minimum:

1. Develop a compliance policy to ensure the bank's commitment to all related regulations, and to ensure that all the employees, each according to his/ her administrative level, are fully informed and aware of this policy, provided that such policy is approved by the board.
2. Develop an annual compliance plan, and approve it by the compliance committee.
3. Monitor the compliance of all the administrative levels in the bank with all the supervisory requirements and legislations in force and international standards including the FATF Recommendations.
4. Develop periodic reports that include assessing the risks of non- compliance, violations, deficiencies and the corrective actions taken, and submitting them to compliance committee, with a copy sent to the general manager.

#### **Article (18): Sharia Compliance**

- A. The board shall ensure that there is a Sharia compliance function and that it performs its tasks effectively.
- B. The Sharia Board shall supervise the Sharia compliance function, which is in dotted line with the Sharia board- and submits its reports (quarterly/ annual) to the general manager and a copy of them to the Sharia board. The board must communicate, effectively and periodically, with the Sharia board to obtain its views on the general situation of Sharia compliance within the bank.
- C. The Sharia Board shall recommend to the board to approve the appointment of a Sharia Compliance Officer and accept his/ her resignation or terminate his/ her services based on the recommendation of the Nomination and Compensation Committee.
- D. The Sharia board shall ensure supporting the Sharia compliance function with adequate resources and a sufficient number of qualified staff, provided that the employees shall have the following requirements as a minimum:
  1. An appropriate university degree along with knowledge of the origins of the Islamic financial transactions and the terms of contracts and the reasons behind their being void.
  2. Experience and knowledge of standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as well as the Islamic Financial Services Board (IFSB).
- E. The bank shall identify the Sharia compliance requirements for each department, the person in charge within that department who is responsible for ensuring Sharia compliance in the course of work or



during the performance of their tasks, and shall clearly define the scope of the Sharia compliance function and communicate it to the relevant staff.

- F. The bank shall ensure the independence of the Sharia compliance function from executive activities.
- G. The bank shall take the necessary procedures in case of Sharia non- compliance by the bank's employees, provided that these procedures include consideration of this in evaluating the employees' performance and their compensation.
- H. Sharia Compliance shall perform the following tasks, as a minimum:
  - 1. Preparing a comprehensive Sharia compliance policy, in coordination with the Sharia board, and having it approved by the board.
  - 2. Preparing a Sharia compliance code approved by the Sharia board, which includes defining the risks of Sharia non- compliance, as well as the procedures, supervisory controls, documentation and evaluation of the risks of Sharia non- compliance, and preparing an annual plan and developing Sharia compliance programs.
  - 3. Preparing a system to monitor material risks related to Sharia non- compliance in coordination with the Risk Management Department, and developing an effective mechanism for reporting and managing the risks, and including these risks under the “Operational Risks” item while referring to them in the internal and regulatory risk reports, for purposes including calculating regulatory capital requirements.
  - 4. Reviewing all new products and services before they are launched, as well as reviewing the policies, procedures, processes and transaction models related to them, to ensure their compatibility with the decisions and Fatwas of the Sharia board and the legislations that govern the work of the Islamic bank and with the provisions and principles of Islamic Sharia.
  - 5. Cooperating with the bank in developing the Sharia skills of the bank's employees.
  - 6. Coordinating with the internal Sharia audit department and the external auditor on matters related to Sharia compliance.
  - 7. Cooperating with the Risk Management Department to periodically conduct comprehensive tests to identify, analyze and assess the risks of Sharia non- compliance regarding the products, services, processes, and policies, and to prepare a comprehensive scope of Sharia non- compliance risks.

## Article (19): External Audit

- A. The bank shall develop a policy for external audit, and approve it by the board, provided that it is amended when necessary. Such policy shall include as a minimum the following:
  1. The mechanism of nomination and assignment of the auditing office.
  2. The mechanism of setting fees of the auditing office.
  3. The periodical alteration of the auditing office and team.
  4. The independence requirements of the external audit stipulated in paragraph (D) of this article as a minimum.
  5. The tasks of the auditing office and team.
  6. The relation between the auditing committee and the auditing office and team.
  7. Non-audit services that can be assigned to the audit office.
  8. Criteria of selecting the audit office and the partner in charge, taking into account the following requirements as a minimum:
    - A. Audit office:
      1. The number of partners in charge for auditing at the office should be no less than two partners.
      2. The office or the international company, which the office is deemed a member of, should have adequate experience of no less than (10) years in auditing banks.
    - B. The partner in charge:
      1. Is to be of good conduct and behavior with sound professional reputation.
      2. Should not be convicted in any felony or crime for any act considered against honor, or duty of trust.
      3. Hold a valid certificate of practicing the profession of auditing, and is registered with the Jordanian Association of Certified Public Accountants according to the provisions of the law regulating the profession of accounting.
      4. Should not be suspended from practicing the auditing profession within the last five years, or have been convicted of a final judgment because of professional fault or legal violation related to practicing the profession.
      5. Must hold at a minimum a bachelor degree in the field of accounting or any of the fields relevant to the banking business.



6. Hold one of the professional certificates in the field of accounting or auditing issued by one of the internationally acknowledged professional associations for legal accountants or auditors that is recognized by the Jordanian Association of Certified Public Accountants.
7. Have a practical experience in the field of auditing for a period of no less than (10) years, with at least (7) years of which being in the field of banks' auditing, and to be fully knowledgeable of banking business and their risks as well as the related legislations including the legislations issued by the Central Bank.
8. As for the experience and knowledge required for auditing Islamic banks, the auditor must:
  - A. Have practical experience in the field of auditing accounts for a period of no less than (10) years, at least (7) years of which being in the field of auditing banks' accounts, with no less than (2) years of it being in the field of auditing Islamic banks, and to be fully knowledgeable of legislations related to Islamic banks' business including the legislations issued by the Central Bank.
  - B. Be fully knowledgeable of Islamic banks' business, their risks, and the standards for accounting and auditing issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB).
- B. The bank shall ensure regular rotation of the external auditor every seven years as a maximum, provided that the external auditor shall not be changed during the contract period except after obtaining the approval of the Central Bank and based on substantial reasons.
- C. The previous office should not be re- elected before at least three years from the date of its last election with the bank.
- D. The audit committee shall verify the independence of the external auditor during the contract period, beginning and continuing, so as to ensure absence of any conflict of interests between the bank and the external auditor, and the board shall ensure that, and verify that the terms of contract with the external auditor include the following as a minimum:
  1. The external auditor cannot be a member of the bank's board or of the board of directors of any of its subsidiaries.





2. The external auditor cannot permanently carry out any technical, administrative or consultative tasks for the bank or for any of its subsidiaries during the audit mission.
  3. The external auditor cannot be partner with any member of the bank's board/ sharia board/ senior executive management, or with any member of the subsidiaries' board/ Sharia Board/ directors' body/ senior executive management.
  4. The partner in charge or any member of the auditing team shall not relate, up to the second degree, with any member of the board, any member of the Sharia Board, any member of the senior executive management of the bank or any of its subsidiaries.
  5. The external auditor cannot own or deal with the shares of the bank or any of the bank's subsidiaries, whether directly or indirectly.
  6. The external auditor shall not combine auditing of the bank's accounts and any of non-audit services assigned to the office.
- E. The Audit Committee shall verify the qualifications and effectiveness of the external auditor and shall ensure that the letter of engagement clearly includes the scope of the audit, fees, contract period and any other conditions, taking into consideration the nature of the bank, the size of its business, the complexity of its operations and risks.

#### **Article (20): General Provisions**

- A. The chairman of the board shall, well ahead of time, invite the Central Bank to attend the General Assembly meetings by nominating a representative.
- B. The chairman of the board shall provide the Central Bank with the General Assembly meeting minutes within no more than 5 days since the date of attesting the minutes by the companies' controller or its representative.
- C. The bank shall inform the Central Bank, at least 30 days prior to the General Assembly meeting date, of its desire to nominate the external auditor to be elected (or re- elected) by the General Assembly.
- D. The bank shall verify that any major shareholder in the bank is not related, including kinship up to the third degree, to the General Manager and the first degree to any other member of the senior executive management.
- E. The bank shall take into account the representation of women in the membership of the board and in the senior executive management.



- F. The bank shall obtain a no- objection letter from the Central Bank to nominate any member to the board or any member to the Sharia board prior to the date of the meeting of the general assembly of the bank with a sufficient period of not less than one month, and it shall notify those who wish to be nominated that there must be a no- objection letter of the Central Bank to that.
- G. The bank shall provide the Central Bank with its general organizational structure when making any amendment to it, with a clarification of that amendment.
- H. The bank shall provide the Central Bank with information on the board members, its committees, members of its senior executive management, and of its Sharia board according to the attached forms (4/1, 4/2, 4/3, 4/4) once an amendment takes place.
- I. The bank shall provide the Central Bank with information on the board members, and senior executive managements of its subsidiaries (including the subsidiaries thereof) inside and outside the Kingdom, according to the attached forms (5/1, 5/2, 5/3) once an amendment takes place.