



Environmental, Social and Corporate Governance Code for Banks 2024



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Preamble

The Central Bank of Iraq (CBI) plays a key role in the development, growth and financial stability of Iraq. The CBI has a major role in the achievement of commitments made in 2019 of the Iraqi government to “The Future We Want – Iraqi Vision for Sustainable Development, 2030”. The CBI’s own strategy is to ensure Iraqi banks environmental, social and governance (ESG) performance is in alignment with the CBI’s vision for a sustainable banking system (Iraq Sustainable Finance Roadmap 2023-2029) and sustainable finance in Iraq and is comparable with global counterparties and peer institutions.

In 2024, the CBI has developed this mandatory “Environmental, Social and Governance (ESG) Code (the Code or ESG Code) for Banks”. The Code aims to keep pace with international developments, enhance ESG systems and to apply best practices in the banking sector, especially in ESG. In this Code, the CBI has established and applied global expectations and standards of ESG and has introduced structures, legislative and control requirements. “Heightened demand of investors for sustainable financial products as well as increasing pressure from regulatory bodies highlight the need for banks to consider ESG risks in their risk management framework”¹. The Code aims to support the banking sector in Iraq to make the most of ESG opportunities and to mitigate ESG risk exposures, especially those related to climate change issues. Investors tend to deal with banks which have good ESG structures, policies and practices and which demonstrate responsiveness to ESG risks. Good ESG practices changes the nature of the relationship between a bank board and executive management in a way that shall eventually lead to protecting the funds of clients, shareholders and stakeholders and should ensure a sustainable bank capable of survival despite environmental, social and governance risks. **All banks under CBI supervision shall apply the requirements of this ESG Code.**

Domestic systemically important banks (DISBs) will have additional requirements issued by the CBI. Those requirements may be more demanding than those in this Code, which is reflective of the importance of DISBs to the Iraqi economy.

This ESG Code has been developed according to the international global best practices and relevant Iraqi laws. The international standards considered are issued by the International Finance Corporation (IFC), the Organization of Economic Cooperation and Development (OECD), the Basel Committee on Banking Supervision (BCBS), the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB) and the International Sustainability Standards Board (ISSB) of IFRS Foundation. The Code will help each bank improve its ESG framework leading to better performance. Board members and executive management shall supervise bank operations and activities to preserve the rights of the clients, shareholders and stakeholders.

This Code has been developed in June 2024.

¹ KPMG, ESG Risks in Banks, accessible at <https://kpmg.com/xx/en/home/insights/2021/05/esg-risks-in-banks.html>



The Code is comprised of seven (7) Parts:

Part 1 - General Framework for Good Governance and Environmental and Social Issues Oversight;

Part 2 - Board Composition;

Part 3 - Shariah Boards;

Part 4 – Board Committees;

Part 5 - Executive Management;

Part 6 - Control, Transparency and Disclosure; and

Part 7 – Governance of Stakeholder Relations and Climate.

We would like to thank the International Finance Corporation (IFC) for its continued support of the Central Bank of Iraq (CBI) in the field of bank ESG governance.

Schedule (1) Acronyms and Terms

S N	Acronym	Term
1	CBI	Central Bank of Iraq
2	Bank	CBI-licensed banks including the commercial and Islamic banks.
3	Board	Bank board of directors
4	General Assembly (AGM)/ Extraordinary General Assembly (EGM)	General Meeting of Shareholders (AGM) and Extraordinary General Meeting (EGM)
5	Shariah Board	Shariah Board in an Islamic bank
6	Bank Capital	Paid Capital
7	AML Office	Anti-Money Laundry and Terrorism Funding Office
8	IFC	International Finance Corporation
9	OECD	Organization of Economic Cooperation and Development
10	AAOIFI	Accounting and Auditing Organization of Islamic Financial Institutions
11	IFSB	Islamic Financial Services Board
12	TCFD	Task Force (of the Financial Stability Board) for Financial Disclosures
13	ISSB	International Sustainability Standards Board of International Financial Reporting Foundation (IFRS)
14	ESRM	Environmental and Social Risk Management System
15	ERM	Enterprise-wide Risk Management system
16	ESMS	Environmental and Social Management System
17	ICT	Information and Communications Technology
18	ESG	Environment, Social and Governance
19	D-SIB	Domestic Systemically Important Bank
20	ESGSC	ESG and Sustainability Committee of the board

Schedule (2) Definitions

S N	Term	Definition
1	Bank Governance	<p>A set of comprehensive systems which prescribe the relationship between the bank board, executive management, and shareholders and other stakeholders. Governance addresses the system by which the bank is directed, and its activities are controlled by the board and which affects:</p> <ul style="list-style-type: none"> • bank strategy including ESG strategies • management of bank risks, including environmental and social risks • bank operations • balance between rights of shareholders the interests of depositors, taking into consideration the interests of other stakeholders. • Bank compliance with all applicable laws, rules and regulations. • Reporting practices to ensure full disclosure and transparency of all material matters – financial and non-financial.
2	Appropriate	Meeting the minimum legal requirements required of bank leadership, including board members, members of the Shariah Board in Islamic Banks, and executive management.
3	Executive Management	Senior employees as stated in Article 1 of the Banks Law No. 94 of 2004 by virtue of CBI instructions and bank organizational structure.
4	Qualifying Holding	Any normal or legal persons, or associated group who hold bank capital of more than 10% of bank total subscribed capital. CBI shall be informed of such holding at least 10 days before so as to obtain the bank consent before executing the individual or associated group holding.
5	Related Persons/Parties	<p>Shall include the following:</p> <ul style="list-style-type: none"> • Related Person as defined in Article 1 of Banks Law No. 94 of 2004 and in IAS 24. • Any director, authorized manager or his deputy or consultant, who has worked for the bank in the previous two years. • The independent auditor (external auditor) throughout the term of his service and in the two

		<p>years following the termination of his contract with the bank.</p> <ul style="list-style-type: none"> Any normal or legal person that is related to the bank through kinship or contractual relations during the contract term.
6	Associated Group	A group of individuals or companies related by kinship or effective economic interests.
7	Independent Director	A non-executive board member who is free from any business or other association with the bank and who is independent and is not conflicted when making decisions. The independent director enjoys total independence from management and the bank and is not subject to undue influences. See also IFC criteria at Annex 1 .
8	Executive Director	Board member who is also a member of bank executive management overseeing day-to-day operations and receives a monthly salary in consideration thereof.
9	Non-executive Director	A board member/director who may be related to or have an interest in the bank through stockholding, being a customer or client or advisor to the bank or who may provide services to the bank or to members of the board or executive management. Non-executive directors do not participate in any way in the bank day-to-day management and receives no monthly salary in consideration of the same and are NOT independent.
10	Material Matters	Material matters are those matters which may be important to investors, shareholders or stakeholders and which may affect the investment decision or which may change the market share price.
11	Cumulative Voting	A method of voting for all GM resolutions including when selecting board members. The number of votes of any shareholder shall be equal to the number of the shares held by each of them. A shareholder may vote with all his votes in favor of one nominee for the board membership or may distribute the same among the nominees without any repetition of votes. The main objective of such methods is to increase the opportunities of the minority shareholders to be represented in the board by cumulative voting.
12	Fit and Proper	Means all board members meet the requirements of Banks Law No. (94) of 2004 and the Companies Act No. (21) of 1997 as amended. A director of a bank must be of good reputation, have bank/finance experience, be independent of mind and without conflicts of interest, have the necessary time commitment to duly perform board and other functions and as part of a group, contribute to collective board suitability.

13	Financially Literate	Financial literacy is the capacity to understand the role of the AC and can analyze financial reports, and has skills in budgeting, investing, borrowing, taxation, auditing and assurance, and personal financial management.
14	Financial Expert	<p>A financial expert is a person who is very skilled and is usually professionally qualified in the following:</p> <ul style="list-style-type: none"> • Understanding of Generally Accepted Accounting Principles (GAAP), applicable accounting and auditing standards (IFRS) and financial statements and financial reporting processes; • Is experienced in preparing and/or auditing financial statements of banks; • Has experience accounting for estimates, accruals, and reserves; • Understands bank internal accounting controls and internal audit; • Understands fully the role of audit committees; • Aware of current corporate reporting legislation and developments.
15	Bank Affiliates /Affiliated Entities	Means any subsidiaries of the bank or other entities legally associated to the bank such as joint ventures.
16	Sustainable Finance	Sustainable finance refers to any form of bank or financial service integrating environmental, social and governance (ESG) criteria into the business or investment strategy, policies and decisions for the lasting benefit of both clients and society at large.
17	ESMS	Environmental and Social Management System refers to a tool that enables assessment or self-assessment of the quality of environmental and social management practices in an entity and which can benchmark those practices against good market practices in environmental and social matters.
18	ESRM	Environmental and Social Risk Management system which refers to policies, procedures and tools to identify, assess, monitor and manage or mitigate exposures to E&S risks. This should be an integral part of the bank ERM.
19	Shareholders	Sometimes also called a ‘stockholder’, is an owner of shares in the bank.
20	Stakeholders	Means all groups or persons who may be interested in and could affect or be affected by the activities of the bank, its products and services and associated profitability. Stakeholders includes shareholders and future investors,



		employees, regulators, clients of the bank, depositors, borrowers, suppliers, society at large, and others.
21	Climate Matters	Means matters related to climate change risks and opportunities over the short, medium and long term. It includes matters related to both physical climate issues and issues related to transition as a consequence of climate change.
22	Three Lines of Defense	The Three Lines of Defense model of risk management is a globally applied principles-based model developed by the Institute of Internal Auditors (IIA) to ensure effective management of organizational risk. Line 1 and 2 encompass management responsibilities in risk management and Line 3 requires internal audit to provide independent assurance to the board on the effectiveness of enterprise-wide risk management.
23	He/his/him	All references in the Code in the male gender shall also apply to females.

Part One: Code General Framework

Article (1): Scope of Application

- 1) The Code hereof shall be obligatory and applies to all the operating banks in Iraq as of the issuance hereof.
- 2) Foreign banks' branches shall be excluded from all provisions related to the Board and Committees.

Article (2): Environmental, Social and Governance (ESG) Framework for Banks

Due to the importance of ESG practices and by virtue of the international standards and practices, banks shall:

- 1) Form an ESG and Sustainability Committee (**ESGSC**) of the board, in accordance with the section on committees. (See Part 4)
- 2) The ESGSC shall prepare its own bank specific ESG Guide, a framework for bank governance on ESG matters, specific to the bank which shall be approved by the board. The bank's ESG Guide issued by the bank shall be in accordance with the minimum requirements of this ESG Code and which shall include measures to address the CBI's Sustainable Finance Roadmap (2023-2029) and the Sustainability Principles (**Annex 2**). The bank's ESG Guide shall be updated annually to ensure currency with all CBI regulations and directives and ESG developments.
- 3) Board members shall publicly disclose in its Annual Report and on its website a commitment to and implementation of the CBI ESG Code, the Sustainability Principles and the bank's own ESG Guide. The CBI may from time to time amend and develop the Sustainability Principles in accord with global developments.
- 4) The bank's ESG Guide shall clearly state and publish, include in bank strategy, and be communicated internally:
 - a. the banks' purpose;
 - b. bank core values;
 - c. bank commitment to business integrity;
 - d. key bank policies;
 - e. governance structure;
 - f. bank commitment to business integrity, long-term sustainability and management of all risks, including material ESG risks and climate related risks.
- 5) The bank shall develop and publish an annually updated, board approved Board Charter, which sets out the roles and responsibilities of the board members, chair, and other key board roles. The Charter (See **Annex 5**) shall outline at least:
 - a. The board's composition.
 - b. The duties of the entire board and of each member
 - c. The extent of authority of the whole board and each member
 - d. The procedures the board must follow as it carries out its duties and

- e. The mandates of each board committee, including the details of the board committee to address sustainability and climate related responsibilities.
- 6) The board shall establish policies and procedures to understand and support the requirements of this Code and, as necessary, shall provide development programs for the board and for executive management.
 - 7) The board shall approve and monitor implementation of a Code of Conduct and Conflict of Interest policies applicable to all board members and employees of the bank. The Code of Conduct and Conflict of Interest policies shall be published on the bank website.
 - 8) The board is responsible for ensuring the establishment, training and maintenance of a team of persons knowledgeable in corporate governance, in sustainability/ESG developments, climate-related risks, in corporate reporting, and of the application of this Code. The team shall be responsible to the board through the CEO for accurate assessment of and reporting adherence to this Code in the form and manner required by the CBI. The board shall be accountable to support the team by providing authority, resources and systems for information retrieval to enable accurate reporting.
 - 9) No reporting to CBI on adherence to this ESG Code shall be undertaken by untrained individuals, not skilled in corporate governance, sustainability and ESG practices. The ESG and Sustainability Committee of the board shall review the accuracy of reporting to CBI on adherence to this ESG Code. The CEO and the Chairman of the board shall sign off reporting to CBI on adherence to this Code and shall attest to the accuracy of reporting on the Code.
 - 10) The CBI shall articulate, guide and enforce the manner, style and timing of annual reporting on adherence to this Code. Each bank board will ensure the bank and its personnel has the necessary information, skills and technologies to report accurately as required on adherence to this Code.
 - 11) The board and executive management shall ensure reporting on adherence to this ESG Code shall be incorporated into annual board and management activities and into bank strategies, policies and practices.
 - 12) The bank shall post its ESG Guide and other key ESG documents on its website for public scrutiny and shall ensure the same are current, regularly reviewed and understood by all board members and employees.
 - 13) The bank may cooperate with ESG centers or others to obtain consultancies and assistance in introducing new requirements to the Code hereof according to the best practices in the field of ESG.

Part Two: Board of Directors

Article (3): Board Composition

- 1) The board of the bank is the ultimate bank decision maker and is responsible for oversight of sound, prudent management of the bank and of its affiliates. The board must be professional and competent and have the range of skills, knowledge and experiences to fulfill their responsibilities. Each board member shall be able to apply strategic thought to any issue and be able to constructively challenge others thinking. Board members shall have skills, knowledge and experience including in information technology as applied to financial institutions and in environmental, social and governance risks and opportunities to ensure bank safety, soundness and sustainability.
- 2) Board members shall be elected in the General Assembly Meeting (AGM) after the approval of CBI, for a period of four years, with a possible additional four-year period upon re-election at an AGM.
- 3) The board shall ensure it regularly engages, receives, understands and responds to information regarding the issues and concerns of shareholders and material stakeholders.
- 4) The board shall be comprised of non-executive directors, including a majority of independent directors, except for one executive director, the CEO. The board shall be structured to be effective for the governance of the bank.
- 5) There shall be a minimum of seven board members, at all times. A minimum of one-third of all board members or four members, whichever is the greater, shall be independent non-executive directors (see **Annex 1**). At least one independent board member shall be nominated to represent minority shareholders. There shall be at least one female board member. There shall be at least one board member with sufficient skills in E&S including sustainability and climate change knowledge. There shall be at least one board member with sufficient skills in Information and Communication Technology.
- 6) At least one-third of bank board members shall be ordinarily resident in Iraq.
- 7) All board members and their roles on the board are to be identified in the Annual Report and on the bank website. Independent directors are to be specifically identified in the Annual Report and on the bank website.
- 8) The Board shall state in the Annual Report its responsibility and accountability for compliance with all laws and regulations and with this Code.
- 9) Qualifications of board members shall include being 'fit and proper' according to laws and regulations, shall be honest and have integrity, shall make a commitment to good ESG practices and anti-corruption, abide by the bank Code of Conduct and Conflict of Interest policies, and have sufficient time to attend to bank board matters.
- 10) Collectively, the board shall be suitable for banking and be sufficiently independent and include a range of diverse skills, experiences and backgrounds in its composition. The composition shall have the skills to enable oversight of bank strategies and objectives and

management of board business and board committee membership and to monitor the risks of the bank, including ESG and climate-related risks.

- 11) Consideration of board composition shall be annually reviewed to ensure refreshment and succession and include tenure and knowledge and experience in finance, accounting, lending, bank operations, payment systems, strategic planning, communications, information technology, environmental, social and governance risks and opportunities and climate related financial risks, risk management, internal controls, bank regulation, audit and compliance. The board may supplement its skills by accessing specific consultants if necessary.
- 12) A board skills matrix or current board members shall be developed and published in the Annual Report to demonstrate a breadth of skills and experiences in board members. Consideration of newer skills in ICT and ESG are important and shall be included. (see examples in **Annex 6**)
- 13) The board shall elect a Chairperson and Deputy Chairperson from its members. The Chairperson shall be an independent director and shall not be the CEO of the bank.
- 14) The Deputy Chairperson shall undertake the Chairpersons' duties in the Chairpersons' absence or if unable to preside at a board meeting.
- 15) The Chairperson is responsible to lead the board to the highest governance standards.
- 16) The board will periodically review and regularly make available resources to ensure that directors maintain the skills, knowledge and familiarity with bank business to fulfill their duties. Skills development for directors of at least two training courses annually in ESG, sustainability and climate-related financial matters is required.

Article (4): Board Member Qualifications and Independence

4-1 Board Members Selection:

4-1-1 A Board Member shall meet the legal requirements stipulated in the Banks Law as amended and any bank governance prescriptions.

4-1-2 The board Nomination Committee shall be accountable for the development and implementation of a proper due process for the nomination and appointment of directors.

4-1-3 All board members shall have university degrees and two-thirds shall have experience in the banking/finance sector.

4-1-4 A board member shall not be a board member, an authorized manager, regional manager or an employee in any other bank inside Iraq, unless the said bank is affiliated to the bank or has more than 20% shareholding stake.

4-1-5 A board member of a bank shall not hold more than three other company directorships.

4-1-6 Non-residents and non-Iraqis may be appointed as board members.

4-2 Board Independence (Refer Annex 1)

4-2-1 All board members shall be capable of independent decision making in the best interests of the bank at all times.

4-2-2 Each director shall ensure that he does not participate in any decision which may place or appear to place his interest or the interests of any other party above those of the bank.

4-2-3 All board members commit to collective, group decision-making processes of the board and will debate issues openly and constructively and be free to question or challenge opinions presented at meetings.

4-2-4 A board member shall not be the auditor, or a partner or employee at the bank's independent auditor over the last three years before being elected as a board member.

4-2-5 A board member shall not be an advisor to the bank. Such advisors may include, but is not exclusive to, a lawyer or a legal consultant of the bank, IT advisor or investment banker.

4-2-6 Neither a board member, nor any of the companies of which he is a board member, owner or main shareholder shall be allowed to have credit facilities from the bank and shall not be a guarantor for a credit facility.

4-2-7 A board member shall not be a member in the boards of more than three joint stock or public companies whether in his personal capacity or in his capacity as a representative of a legal entity.

4-2-8 A board member shall not be an administrative officer, employee or authorized manager in any other bank.

4-2-9 A board member or his related persons shall not have been a bank employee over the preceding three years.

4-2-10 A board member shall not be a related person or related by kinship by any type or degree to any other board members or members of senior management.

4-2-11 Neither a board member nor his representative shall be a major shareholder in the bank.

4-2-12 A board member shall not directly or indirectly own (including the proprietorship of the family members of shareholders or related persons) more than 2% of any company of any types.

Article (5): Board Duties and Responsibilities

The board shall:

- 1) Collectively be responsible for ethical and entrepreneurial leadership, direction and control of the bank and shall oversee executive management. It shall approve the corporate governance and E&S frameworks for the bank.
- 2) Shall promote the bank culture, purpose and values throughout the bank and shall integrate these into a framework of policies, procedures and controls for effective internal and financial controls and prudent risk management, effective management of ESG risks including climate-related financial risks, and in compliance with all applicable laws and regulations. (See **Annex 4**).

- 3) Approve the bank core values, which deeply root a culture of high moral values, integrity, professional behavior and bank sustainability in all bank board members, executive management, bank operations, and employees.
- 4) Approve and ensure compliance with the bank Code of Conduct, Conflict of Interest and E&S policies which shall be published on the bank website. Each board member shall make an annual declaration of interests, in writing, which may be perceived or be a source of a conflict of interest. Each board member shall keep the declaration current as circumstances change.
- 5) Have and publish a formal charter that sets out the roles and responsibilities of the board. The charter will distinguish board roles and responsibilities from the roles and responsibilities of management. The Charter (See **Annex 5a**) shall include a requirement for an annual board, board committee and individual directors' performance evaluation. The board shall have an active role in guiding and overseeing ESG policies and practices and shall regularly include these in its agenda and discussions.
- 6) Shall develop, document, approve and publish a Delegation of Powers policy which states certain matters where executive management has authority, powers, and limitations of powers as delegated by the board. The board must have in place mechanisms for monitoring the exercise of delegated authority. The board cannot abrogate its responsibility for oversight of the functions delegated to executive management.
- 7) With the exception of Article 4-2-6 above, the Delegation of Powers shall specify the executive powers and authorities of the bank activities (whether the authorized manager or the executive management, for all banking transactions, extending credit, and signing transfers, checks, guarantees, bonds, loans, mortgage and letters of credit).
- 8) Shall develop, document, approve and publish a Reserved Powers policy which will state clearly the powers the board will reserve for its decision only.
- 9) Approve bank plans including the vision, mission, strategic goals and objectives, including ESG and climate-related goals, policies and objectives. Bank plans and strategies shall include institutionalization of the CBI Sustainable Finance Roadmap (2023-2029) and the Sustainability Principles in the bank. The board shall take into consideration the views of material bank stakeholders when approving bank plans. The board shall issue instructions to executive management to implement the plans and to manage and control day-to-day bank operations.
- 10) Actively be involved in establishing relevant frameworks and systems for and approving strategy, risk appetite, and in defining corporate purpose and values and the bank approach to sustainability and ESG risks. The systems shall include an Environmental and Social Management System (ESMS) and an Environment and Social Risk Management System (ESRM) which is commensurate with the bank's complexity, is aligned with internationally recognized principles, and which forms part of the enterprise-wide risk management system (ERM).

- 11) Ensure that the bank has a board-approved, publicly available and published sustainability policy with emphasis on environmental, social and governance (ESG) matters and which includes approaches to climate change. The policy shall be in accordance with the Sustainability Principles as stated in **Annex (2)** hereof, the CBI Sustainable Finance Roadmap (2023-2029) and international standards and practices.
- 12) The board shall identify and report on key material stakeholders, understand their needs and interests and consider material E&S matters including climate change and their impacts on bank business.
- 13) Approve strategy and medium-term and short-term plans.
- 14) The board shall review delivery of the strategy and measure performance against plan. It shall oversee major capital projects, investments, acquisitions, mergers or disposals. It shall challenge and support management to drive sustainable value creation for shareholders and stakeholders.
- 15) Discuss, approve and monitor the annual plans/budget for bank activities and achievement of these strategic plans. The board shall receive regular management reports on bank activities.
- 16) Approve a policy for monitoring the performance of executive management by setting in advance key performance indicators (KPIs) and key performance results (KPRs) that specify, measure and aid the monitoring of the performance of the Bank. The board shall monitor performance against set targets.
- 17) Set the risk appetite, including liquidity risk, of the bank and communicate this to executive management. It shall approve the annual capital plan and any changes to the capital structure of the bank.
- 18) Approve and monitor sound systems of risk management, including ESG risks, and internal control and management of bank operations. The board shall be responsible for ensuring continuous bank control and security procedures, including for bank financial status, reputation, and responsibility of implementing the requirements of CBI. The board shall ensure adequate and effective tools and systems to incorporate sustainability and climate-related risks into bank risks and systems that identify, measure, manage or mitigate and monitor all bank risks.
- 19) The board shall monitor the execution of risk management and risk appetite, ensuring that the bank is not exposed to high risks and is managed prudently. Board monitoring of risk shall include environmental risks, especially those related to climate change, social risks and governance risks. The board shall require risk management to identify and quantify climate-related financial risks.
- 20) Ensure the bank is managed in compliance with all applicable laws and regulations and bank internal policies. The internal policies and procedures shall be circulated by executive management to all employee levels, and they shall be regularly reviewed and updated.
- 21) Ensure sustainability objectives, policies and activities are clearly communicated across the bank and publicly to its investors, clients and other stakeholders. (See **Annex 12**)

- 22) Ensure at least one annual capacity building across the bank staff regarding ESG, sustainability and climate-related financial trainings.
- 23) Ensure compliance with international standards in bank activities and operations especially for financial and non-financial corporate reporting.
- 24) Approve and report periodical and final financial statements, dividends, allotment of shares, rules for dealing in bank shares, and any significant change in accounting policies or practices.
- 25) Approve and report annually the CBI ESG scorecard reporting requirements including provision of required related evidence.
- 26) Approve the bank performance and remuneration policy and the policy for specific remuneration of the Chair, executive directors and for independent directors. Such policy shall ensure the sustainability agenda is integrated into the bank performance appraisal system.
- 27) Ensure that the Bank implements a robust internal control system.
- 28) Ensure that directors have the range of skills for effective and prudent management of the bank. This shall require annual training and development of board members' skills which shall be reported in the Annual Report (see also Article 3 (17)).
- 29) Shall appoint the CEO of the bank and approve the terms of his appointment after the approval of CBI.
- 30) Approve the CEO's selection of nominees to occupy key positions in executive management. The key positions appointments shall be based on merit. The key positions for board approval shall include the Chief Risk Officer and the Board Secretary. The board shall annually receive a report to the board on the annual performance of these key appointees.
- 31) Form five required board committees (Audit, Risk, Nomination and Remuneration, IT and ESG and Sustainability) to be comprised of board members only. The board shall approve the terms of reference and membership of each board committee. (See also Section 4).
- 32) Be responsible for accurate, true and fair disclosure to the CBI, including the annual scorecard reporting to CBI, to shareholders and to stakeholders. The board shall approve documents required by external regulators. The board shall be responsible for accurate reporting on adherence to this ESG Code. The CEO and the Chairman shall sign off as accurate any reporting to the CBI on adherence to this Code after review and recommendation of the board ESG and Sustainability Committee.
- 33) Annually review and attest to the initial and continued independence and competence of the external auditor. The board shall make recommendations to the shareholders on the appointment and/or removal of the external auditor.
- 34) Ensure the external audit partner's and the audit firm's terms do not exceed a period of five-years, as per the current Banking law.
- 35) Enable the external auditor to raise matters directly with the board as a whole.

- 36) Through the recommendations of the Audit Committee (AC), appoint, oversee and, if necessary, dismiss the Internal Auditor (IA). The board Audit Committee shall specify the remuneration of the IA and annually assess his performance. The IA shall directly report to the Audit Committee of the board.
- 37) Approve and annually review the internal control and risk management systems including ESRM for the bank. The board shall attest in the Annual Report to the adequacy of the systems. The board shall ensure the Internal Auditor (and the internal Shariah auditor in Islamic Banks) shall, in cooperation with the independent external auditor, at least annually review such systems.
- 38) Ensure the presence and use of sufficient and reliable management information systems (MIS) and technology covering all bank activities.
- 39) Spread a culture of good ESG practices in the bank and urge all employees and the executive management to implement its practices and attend training courses in this respect, while ensuring that the bank encourages its clients to implement ESG practices in their institutions.
- 40) Ensure bank credit policy includes a requirement of the implementation of good ESG to its retail and corporate clients.
- 41) Take the necessary measures to clearly separate the authorities of shareholders, who have a “Qualifying Holding” on one hand and “Executive Management” on the other, so as to enhance good ESG and find the suitable mechanisms to mitigate the effect of shareholders with “Qualifying Holding”.
- 42) Approve the bank organizational structure that specifies clear administrative hierarchy and responsibilities.
- 43) Have in place and approved succession plan for the board to ensure refreshment, and a succession plan for the CEO and for key executive management roles. The succession plans shall be reviewed on an annual basis.
- 44) Ensure that executive management is informed of the official regulations and responsibilities regarding AML and of the website of the AML office. Obligations require daily review and freezing of funds of persons whose name is on the terrorist list and immediately informing the AML office.
- 45) Establish an annual process to assess the board’s performance relative to its specific objectives, assess each board committee and individual director performance and report in summary format on the results and consequent board and director’s improvement plans in the Annual Report.
- 46) Ensure implementation of General Assembly resolutions.
- 47) Supervise and ensure policies and processes are in place for quality, timely and accurate public disclosure of all material matters to the market, including ESG matters, to shareholders and to stakeholders and for transparency of bank operations.

- 48) Make available to shareholders and stakeholders a comprehensive Annual Report which covers the matters mentioned in **Annex (10)** and which includes full bank financial statements.
- 49) Establish a communication policy and processes which require board authority for principal regulatory filings and filings in other jurisdictions as well, and board approval of prospectuses, and significant press releases.
- 50) Ensure the bank makes available to CBI current information related to board members, the General Assemblies and the executive departments of the bank and its affiliated companies inside and outside Iraq. These should be provided at least on a semi-annual basis and when amendments occur.
- 51) Ensure ESG risks are considered as part of bank credit approval processes.

Article (6): Chairman of the Board Duties and Responsibilities

All directors shall be appointed by the shareholders at the AGM. The board shall select the Chairman from among their number. The Chairman's role shall be reviewed and approved within 30 days as acceptable by the CBI prior to public notification of his appointment.

The Chairman shall:

- 1) Lead and ensure the culture of the bank is embedded in the bank, its subsidiaries and business units and promote the highest standards of ESG in the bank and its subsidiaries and at the board.
- 2) The Chairman shall be the Chair of the ESG and Sustainability Committee (ESGSC) of the board. The ESGSC shall review and recommend to the board the Annual Report and the accuracy of reporting on adherence to this ESG Code.
- 3) Lead the board and ensure its overall effectiveness. Lead on board induction, evaluation and development programs to ensure an effective board.
- 4) Be a non-executive, independent director of the board and demonstrate objective judgement and be the Chairman of the Governance Committee of the board.
- 5) Have the authority to act and speak on behalf of the board between board meetings, including engaging with the CEO in an open and constructive manner, and shall report to the board on between meeting matters.
- 6) Represent the views of the board and of the bank to stakeholders, including shareholders, regulators and the community and ensure effective communications with these.
- 7) Ensure the board focuses on strategic issues.
- 8) Facilitate a constructive relationship between the board and executive management and bank staff.
- 9) Encourage directors to express opinions, contribute to discussion, be tolerant of different points of views and diverse voting on such issues.
- 10) Together with the board members, set the agenda for each board meeting, ensuring board agendas are focused on strategy, performance, ESG and risk management and key value creation issues. Business integrity issues shall be on meeting agendas as a regular item.

- 11) Ensure executive management provide to all directors accurate, clear, high quality and timely information to enable sound decision making.
- 12) Ensure the board determine the nature and extent of bank risk appetite and that there are no impediments to the board oversight of risk.
- 13) Ensure that all board members sign the meetings minutes.
- 14) Ensure succession planning in board composition and for board committees.
- 15) Specify and ensure the board members' requirements, regarding their continuous development, experiences, training and education. The Chairman shall require new board members to attend an orientation program prior to their first board meeting or soon after in order to understand bank strategies and operations.
- 16) Liaise with the bank secretary in relation to the board's information requirements.
- 17) Invite CBI to attend the General Assembly Meetings and send the meeting agenda, at least fifteen (15) days before, to enable CBI to name a specific individual to act as CBI representative.
- 18) Ensure that CBI is informed of any substantial information.
- 19) Not be the Authorized Manager (CEO) of the bank.

Article (7): Board Meetings

- 1) The board shall meet as often as is required to manage bank business. There shall be a minimum of six board meetings a year. An Annual Calendar of board and board committee meetings and the major agenda items at these meetings shall be prepared and circulated at the commencement of each year. ESG topics shall be a regular part of the board agenda and discussions. **(See Annex 7)**
- 2) All board members are expected to use all reasonable efforts to attend all board meetings in person. Board members may attend, if necessary, in absentia through video or on the phone, after obtaining the Chairman's consent to the same. Attendance at board meetings by virtual means is limited to two meetings per year.
- 3) Meeting attendance records shall be kept and published in the bank Annual Report.
- 4) In the event that a director is absent from 3 or more board meetings in a year, the Chairman shall notify the AGM and may take whatever measures deemed necessary.
- 5) The board meetings shall be held in the headquarters of the bank, and if this is impossible, then, the meeting may be transferred to any other place inside Iraq which is a central location accessible to all board members.
- 6) The quorum of a board meeting shall be the presence of 50% of the non- executive board members, including at least two independent directors, or 4 members including two independent directors, whichever is the greater.
- 7) The agenda and meeting papers of board meetings shall be provided to board members at least ten working days prior to the meeting and the agendas shall include regular discussion of strategic issues, including ESG issues.
- 8) Board resolutions shall be considered approved by the vote of a majority of those attending the meeting. In case of a tie, the Chairman shall provide the casting vote.

- 9) Board resolutions shall be clearly stated in the board minutes. Board minutes shall be reviewed and assented to by all members attending the relevant meeting in person or in absentia. Board minutes will represent a true record of the meeting. In addition, the Board Secretary shall sign the meeting minutes. Such minutes shall bear the Bank seal within at most 10 business days, and the board shall be liable for its resolutions and for the consequences thereof.
- 10) The Board Secretary (**See Annex 9**) shall accurately and fully record the minutes of board meetings and of board committees' meetings. Minutes will normally follow the meeting agenda. The Board Secretary shall record any major reservations raised by any member. The bank shall maintain all such minutes and shall keep audio and video recordings of meetings.
- 11) Executive management shall submit detailed information/agenda papers to board members at least ten business days before the date of the board meeting. The Chairman of the Board shall check the adequacy of the meeting papers before circulation to the board.

Article (8): Selection and Appointment of Authorized Manager (CEO)

- 1) The board shall appoint the Authorized Manager (CEO) of the bank. The CEO shall also be a director of the bank.
- 2) The Authorized Manager (CEO) shall at least meet the following terms and conditions:
The CEO shall:
 - 2-1 Meet all the legal requirements stated in the Banks Law No. 94 of 2004 and the Companies Act.
 - 2-2 Provide full time dedication to management of day-to-day banking operations.
 - 2-3 Be a person of integrity and a have a good reputation.
 - 2-4 Have actual experience in executive management of banks according to the bank rules and regulations.
 - 2-5 Have at least a bachelor's degree in the financial and banking sciences, business administration, accounting, economy, law or any of the specialties related to banking business.
- 3) The CEO shall be liable for the execution of board resolutions within powers given to him under board delegation.
- 4) The CEO may not be the Chairman of the Board.

Article (9): Board Secretary Duties and Responsibilities

The board shall specify the qualifications and duties of the board secretary (**See Annex 9**). The board secretary is accountable to the board through the Chair and shall be appointed or dismissed by resolution of the whole board. The board secretary shall:

- 1) Advise the Chair and the board on ESG issues.
- 2) Shall maintain all information systems and processes that are required for the board to fulfill its role and achieve the bank's purpose and strategy, including adherence to this Code.
- 3) Attend all board meetings, maintain a record of main discussions, suggestions, objections, reservations and voting on board resolutions, while approving the audio and video or any other method deemed fit to ensure an accurate record of the board meeting. The board secretary shall register attendance, keep and authenticate minutes of the board meetings and ensure signing of the minutes by board members. The minutes become then a legal record of the meeting.
- 4) After the Chairman's approval, provide to the board relevant papers for the agenda.
- 5) Support each board committee through organization of meetings, circulation of papers and minutes / records management.
- 6) Provide any new board members the induction program including a statement of the governance of the bank, the duties and responsibilities of the board, legal and organizational requirements, letter of appointment, meeting dates, and a copy of all laws and regulations applicable to the bank.
- 7) Organize the board annual calendar, dates and meetings with the consent of the Chairman of the board.
- 8) Ensure that the board members sign meetings' minutes and ensure execution of board and board committee resolutions issued by the Board.
- 9) Receive the reports of the board committees and submit them to the board.
- 10) Manage the sequential number system of board resolutions from the start of the year and for the duration of the year to ensure an individual number for each resolution.
- 11) Ensure compliance to all the legal requirements regarding board affairs, including maintaining AGM meeting records.
- 12) Provide CBI with the signed meetings minutes.
- 13) Contact the shareholders and prepare and organize the General Assembly Meetings including issuing invitations to shareholders, to the CBI and the Companies' Registrar.
- 14) Keep current shareholders data and board members declarations of interests.
- 15) Ensure the presence at the AGM of board members, key members of executive management and the External Auditor.

Part Three: Shariah Board

Article (10): Shariah Control Board in Islamic Banks

- 1) All branches of foreign Islamic banks shall appoint a local Shariah Board, made up of at least three persons, who shall meet the terms and conditions stipulated herein.
- 2) The Shariah Board may not be dissolved and none of its Members may be dismissed except with a Board resolution giving reasons, with a majority of at least two thirds of the Members and after a notice is sent with the justifications, specifying the term of correction and after listening to the points of view of the Shariah Board or some of its Members who are to be dismissed with the consent of the Bank General Assembly and CBI.
- 3) The Shariah Board Meetings:
 - 3-1 The Shariah Board shall at least hold 6 meetings in a one year to follow up on the compliance of the Bank operations to Shariah.
 - 3-2 The Shariah Board shall convene with the Board, the Shariah Auditing Department and the External Auditing each semester to discuss the matters of common interest.
 - 3-3 The Members of the Shariah Board shall attend their meetings in person, and in case of failure to attend, the Shariah Board Member may attend through a video call or on the phone with the Chairman's consent, and this method may be used in case of the Member's failure to attend maximum twice in any one year.
 - 3-4 If the absence is 3 times or more in any one year the Chairman of the Shariah Board shall notify the Bank General Assembly of the same to take whatever decisions deemed necessary.
- 4) The Shariah Board Duties and Responsibilities:

The Shariah Board shall:

 - 4-1 Monitor the bank works and activities to check their compliance or noncompliance to the provisions of the Islamic Shariah and follow-up on and review the operations to ensure they are free of any violation that is forbidden by Shariah.
 - 4-2 Express opinions and approve all contracts, transactions, agreements, products, services, investment policies and the policies which organize the relations between the Shareholders and the Investment Account Holders, including dividends, adding losses following the approval of the same, avoiding returns on the investment accounts, and the disposition mechanism in the non-Shariah compliant income.
 - 4-3 Review the policies and instructions related to the provisions of the Islamic Shariah and approve the same, to ensure the sufficiency and efficiency of the Bank internal Shariah supervision system.
 - 4-4 Provide guidance to the Bank employees and spread the awareness of the principles of the Islamic Shariah, its teachings and the Islamic finance tools.
 - 4-5 Offer Shariah training courses to the Bank employees in coordination with the Human Resources Department.

- 4-6** Attend the meetings of the Shareholders' General Assembly and submit the report of the Shariah Board to the Chairman of the Board or whoever is authorized by him of the Board Members for the sake of approving the same.
- 4-7** Form and express opinions regarding the Bank compliance to the principles and provisions of the Islamic Shariah, as the Shariah Board shall:
- 4-7-1** Review and approve the annual report of the Shariah Internal Auditor, which shall be filed to the Auditing Committee by the Shariah Internal Auditing Department.
- 4-7-2** Issue a semi-annual and annual report on the Shariah compliance, so as to include the validity of the internal Shariah controls, any weakness points in the substantial internal Shariah regulations and controls, provided that such report shall be submitted to the Board on a semi-annual basis, to the Shareholder General Assembly on an annual basis, and a copy of each shall be submitted to the Bank.
- 4-8** Express opinion in the Bank Articles of Association (AoA) and Memorandum of Association (MoA) and ensure the compliance of the same with the provisions and principles of the Islamic Shariah.
- 4-9** Submit to the Board the actions for the appointment and dismissal of the Chairman of the Shariah Internal Auditing Department, provided that the final decision on the same shall be taken after obtaining CBI consent.
- 4-10** Express opinion in the compliance of the paid-up amounts to increase the capital to the Shariah, considering such opinion as a pre-condition for the authenticity of the same.
- 4-11** The Chairman of the Shariah Board shall ensure that the Bank is informed of any substantial information that might adversely affect the appropriateness of any of the Board Members.
- 4-12** Write the guide that includes a method for applying for Fatwa by the Bank administrative entities to the Shariah Board, facilitate their meetings and find a mechanism to ensure the actual compliance to any of the Board resolutions, and checking the documentary registers written in hand and maintained in a paper and e-form.
- 5) The Shariah Board Disclosure Requirements in the Annual Report include:**
- 5.1** A statement from the Shariah Board stating that the bank has conducted its operations in a manner consistent with the provisions and principles of Sharia.
- 5.2** Information about the members of the Shariah Board including their professional and academic qualifications.
- 5.3** The number of regular and exceptional (if any) Shariah Board meetings.
- 5.4** Shariah rulings/fatwas issued by the Shariah Supervisory Board.
- 5.5** Information about the amount and type of activities that generate income not in compliance with Sharia law and its principles, and how to deal with it (if applicable), and the measures taken to ensure that these cases are not recurrent.
- 6) The Shariah Board shall have a Secretariat to carry out the following tasks:**
- 6-1** Specify the dates of the Shariah Board Meetings in coordination with the Chairman of the Shariah Board and inform its Members of the same.

6-2 Ensure that the Executive Management shall, long enough before the Shariah Board Meeting, provide the detailed information about the Bank activities and the issues related to the meeting.

6-3 Attend and write down all the Shariah Board meetings, discussions, suggestions and any reservations raised by any Member. All such minutes shall be properly maintained and authenticated.

6-4 Write down the name of the Member who shall fail to attend the meeting, while stating whether this non-attendance is with an excuse or not, and the same shall be stated at the session minutes.

6-5 Follow-up the implementation of the Fatawas and resolutions issued by the Shariah Board and provide the Shariah Internal Auditing Department and the Compliance Department with the same to act upon them, and also to follow the discussion of any postponed topics raised in a previous meeting.

6-6 Submit the meeting minutes of the Shariah Board when requested by the internal Shariah auditor and the Bank supervisors.

6-7 Maintain the reports of the Shariah Internal Auditing Department and follow up on the execution of the Shariah Board recommendations in this respect.

Article (11): Appropriateness of Shariah Board Members in Islamic Banks

- 1) The academic qualification of the Chairman of the Shariah Board may not be less than a master's degree from an acknowledged university in the field of Shariah sciences including the Fiqh of Transactions, with at least 3-year experience in the issuance of Fatawas and Shariah provisions or at least 4 years after graduation in education or scientific research in the Islamic finance field.
- 2) The Shariah Board Members shall at least have a bachelor's degree in the field of specialty.
- 3) CBI may object to the nomination of any person to the Shariah Board Membership, if such person does not meet any of the conditions approved by this Bank, or for any other reasons or objections that CBI may deem fit.
- 4) When there is a need to appoint Members of the Shariah Board who live outside Iraq, it is set as a condition that they may not be more than 2 out of 5 Members.
- 5) The Shariah Board Chairman and Members shall be independent, which may be achieved by ensuring that:

5-1 None of the Shariah Board Members may be a Bank Shareholder, a Bank Board Member, or an employee in the companies affiliated to the Bank over the two years preceding the date of appointment.

5-2 None of the Shariah Board Members may be a first or second degree relative to any of the current or previous senior executive officers (during this year or over the past year) in the Bank or any of its affiliated companies.

5-3 None of the Shariah Board Members may be a member in the Shariah Board of any other Islamic bank inside Iraq.

Part Four: Board Committees

Figure (1) Board Committees



Article (12): Board Committees

Board Committees shall play an important role in supporting the board in exercising its authority and decision-making processes. A suitable number of committees shall be formed to support the bank business. Large and complex banks with diverse business activities may require more board committees to be established.

1. The General Framework for Board Committees

- 1-1 It is mandatory for each bank to have at least an Audit Committee, a Risk Committee, an Information and Communication Technology Governance Committee, a Nomination and Remuneration Committee, and an ESG and Sustainability Committee.
- 1-2 Whilst the board shall establish an ESG and Sustainability Committee (**See Annex 3**) to support its oversight of ESG and climate-related matters, other board committees also may have specific responsibilities related to ESG, sustainability and climate-related issues.
- 1-3 Given the importance of IT to banking, the board shall establish an Information and Communications Technology (ICT) Governance Committee to support board oversight of bank IT infrastructure, digitalization strategies, technology systems, communications operations and data.
- 1-4 In general, it is unusual for a board to give decision-making authority to a board committee. Board committee recommendations shall be approved by the board. The board cannot abrogate responsibility for bank governance matters undertaken by board committees.

- 1-5 Board committees shall review matters on behalf of the board and shall make recommendations to the board for decision.
 - 1-6 The board shall appoint board committee members. Only board members shall constitute board committee members. Executive management may be required or invited to attend to participate at board committee meetings but shall not vote at these meetings.
 - 1-7 The board shall appoint the Chairman of each board committee after consideration of the relevant board committee's recommendation and the provisions set forth in this code.
 - 1-8 The board shall determine and document for each committee a committee charter (See Annex 5b) which includes the purpose, role/mandate, authority, and composition of that committee. Board committee charters shall be published on the bank website and reviewed annually.
 - 1-9 Each board committee shall meet at least four times annually and as often as necessary to fulfil its mandate. Each board committee shall report at least quarterly to the board on committee deliberations and issues or at the next occurring board meeting on important matters.
 - 1-10 Other board members are entitled to attend committee meetings and will receive meeting papers on request.
 - 1-11 All board committees shall have sufficient resources, as determined by the committee, to run effectively.
 - 1-12 From time to time the bank board may specify particular work to a particular committee.
 - 1-13 All board committees shall undertake an annual evaluation of its activities.
 - 1-14 Board committees shall have free access to management and be provided with adequate information from management. Board committees may have access to relevant and necessary external consultant support with board consent.
 - 1-15 In the Annual Report, the members of each board committee shall be identified, and the committee shall report on its work.
 - 1-16 Board committees shall be led by an independent, non-executive director and members shall all be non-executive directors and shall have skills or experience appropriate for the business of that committee.
 - 1-17 If a board committee Chairman is absent, the other committee members present shall appoint one of their number to be Chairman of that meeting.
- 2. Organization of Board Committees' Work**
- 2-1 Committees shall hold regular meetings whose number shall be specified according to the nature of the activities of each committee and be not less than four meetings per year.
 - 2-2 Each board committee shall have a rapporteur who shall be either the Company Secretary or his designated representative. The committee rapporteur shall record the

committee meeting minutes, including recommendations to the board. The minutes of board committees shall be available to all board members.

2-3 Agenda and meeting documents shall be circulated to committee members by the secretary within a reasonable period in advance of each meeting and at least ten days in advance of the meeting.

2-4 A quorum of each board committee shall be at least two committee members who are independent non-executive directors or a majority of members, including two independent non-executive directors, whichever is the greater.

2-5 The Chairman of the relevant committee shall submit its meeting recommendations to the board for decision.

2-6 Additional committees shall be constituted by board resolution from time to time. The board resolution shall specify in a charter the new committee structure, scope of work, responsibilities and the term required for the completion of the work involved.

2-7 All board committee charters will be published and available on the bank website.

3. The Audit Committee (AC)

3-1 All members of the AC shall be independent, non-executive directors. The Audit Committee (AC) shall be comprised of at least three independent non-executive directors. The Audit Committee membership shall include the Chairman of the Risk Committee. CBI shall approve the Chairman of the AC. Islamic banks shall have at least one shariah member on the audit committee.

3-2 The board shall ensure that all AC members have familiarity with finance and accounting practices and so are financially literate (see Definitions) and the Chair shall be a financial expert and is an independent, non-executive director (see Definitions).

3-3 Audit Committee members shall not serve on the board of more than two other public companies and shall not serve on the audit committee of any other bank.

3-4 Committee Duties and Authorities

The Committee shall, without limiting its role:

3-4-1 Assist the board on matters relating to the bank and its affiliated entities external reporting of financial information, the internal control framework, the Internal Auditor and the Internal Audit function, the External Audit and the External Auditor and compliance with applicable laws and regulations.

3-4-2 To the extent necessary, the AC shall liaise closely with the Board's Risk, IT and Communications Technology Governance, and ESG and Sustainability Committees on matters of common interest.

3-4-3 Have oversight of integrity of the financial statements developed according to professional accounting requirements and of financial reporting systems of the bank and its related entities.

3-4-4 Have oversight of the bank's compliance with applicable laws and regulations, regulatory reporting and of the application of professional accounting standards.

3-4-5 Ensure the internal audit and compliance functions incorporate into their work plans the assessment of adherence to policies related to E&S risks and the evaluation of the continuing robustness of these policies.

Internal Audit

The Audit Committee shall:

3-4-6 Oversee the independence and operations of the bank internal audit function and shall have direct oversight of performance of the internal audit function. AC shall approve and monitor the effectiveness of internal controls and supervision systems of the bank.

3-4-7 Annually recommend to the board the scope of internal audit, including assessment of E&S risks, and ensure adequate resources for the internal audit function to be effective. Changes to the Annual Internal Audit Plan shall be approved by the AC. The AC shall regularly meet with the Internal Auditor to receive briefings on bank operations and integrity. The AC shall discuss with executive management significant finding of the Internal Auditor.

3-4-8 Meet regularly with executive management and Internal Audit to discuss findings in the external audit report, any significant financial reporting issues and judgements, significant changes in bank accounting policies, half-year and full-year financial statements and non-financial disclosures (sustainability (ESG) and climate disclosures) and disclosures in the Annual Report.

3-4-9 Recommend to the board the appointment, dismissal, promotion, transfer of the Internal Auditor and shall annually directly review the objectives, performance and annual remuneration of the Internal Auditor.

3-4-10 Ensure that the internal auditing function is independent from management and is not directed by any member of executive management.

3-4-11 Review and discuss the processes by which management assures the integrity of information in public statements, including the Annual Report, ESG Scorecard reporting to CBI, and on the bank website, including statements about profitability and sustainability and the impact of ESG risks on the bank.

3-4-12 Ensure relevant audit-related issues raised by the Risk Committee of the board with the Audit Committee are managed and rectified as appropriate.

3-4-13 Ensure compliance to international standards and the AML and anti-terrorism funding policies and procedures in all bank activities and procedures.

3-4-14 Be entitled to investigate, review, consider and audit any processes, procedures or regulations that might affect the bank strength and safety.

3-4-15 Submit recommendations to the board on bank organizational structure, introducing, cancelling or merging organizational structures, and specifying the tasks and specialties of such structures and their amendments.

3-4-16 Review the annual training and development plans for financial, internal audit and other relevant staff and make recommendations to executive management and HR on training and development.

3-4-17 Prepare a quarterly report on the activities of the committee which shall be submitted to the board.

3-4-18 Approve accounting policies and changes to those policies, accounting procedures, the annual internal audit plan and application of accounting regulations.

3-4-19 Ensure bank compliance with required disclosures as specified in International Financial Reporting Standards (IFRS), CBI ESG scorecard reporting and instructions, and other related rules and regulations, and ensure that executive management is aware of changes to IFRS and other related standards.

3-4-20 Include in the bank Annual Report (**See Annex 10 Annual Report Template**) a report on the adequacy of internal control and supervision systems with regards to financial reporting and sustainability reporting. The report shall at least include:

3-4-20-1 A statement demonstrating the Internal Auditor's responsibility in cooperation with the executive departments for setting internal control and supervision systems regarding the bank financial reporting and the maintenance of such systems.

3-4-20-2 A statement on the methods used by the Internal Auditor to test the effectiveness of internal controls and supervision systems.

3-4-20-3 Explain and assure the presence of a board approved AML and anti-terrorism office, that shall implement the duties and obligations of Know Your Customer (KYC) policies. This office shall prepare regular reports to the AC and the board on its activities.

3-4-20-4 State and ensure compliance to the US Foreign Account Tax Compliance Act (FATCA).

3-4-20-5 Disclose substantive weaknesses in internal control and supervision systems and actions taken to address the weaknesses.

3-4-20-6 The External Audit Report shall express an opinion on the adequacy of internal controls and supervision systems.

External Audit

3-4-21 In relations with the External Auditor, the Audit Committee shall:

3-4-21-1 Propose to the board and through them subject to shareholder ratification appointment of the person/firm qualified to be External Auditor. The AC shall make recommendations to the board and the shareholders on the dismissal/rotation or replacement of the External Auditor.

3-4-21-2 Have oversight of the external audit engagement, including the external auditor's qualifications, performance, independence and fees.

3-4-21-3 Regularly meet with the External Auditor to receive reports, and to discuss any relevant issues arising from the audit and in the Audit Report.

- 3-4-21-4 Meetings with the External Auditor shall discuss the audit work, issues of concern and the Audit Report, including discussing the half-year and full-year financial statements and processes and non-financial disclosures (sustainability (ESG) and climate disclosures) and processes.
- 3-4-21-5 The AC shall oversee the independence and competence of the External Auditor and the audit team.
- 3-4-21-6 Have general oversight of the external audit engagement.
- 3-4-21-7 Regularly review the external audit plan for coverage of all material risks, including E&S risks, and financial reporting requirements.
- 3-4-21-8 Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on scope of activities or access to requested information, significant disagreements with management (if any) and the adequacy of management's response.
- 3-4-21-9 Review the policy for approval of audit-related taxation services and non-audit services to be performed for the bank. Oversee and receive regular reports on the provision of all non-audit services to ensure no conflict with the independence of the external audit.
- 3-4-21-10 Oversee the external audit engagement and review the performance of the external auditor, assess the external auditor's quality control processes and the quality and capabilities of the lead engagement staff.
- 3-4-21-11 Discuss with the external auditor without management's presence the internal controls over financial information, reporting and disclosure and the fullness and accuracy of the bank's financial statements.
- 3-4-21-12 Discuss the audit report findings with management and ensure that the bank management takes timely, necessary corrective measures on problems identified by the External Auditor.

Compliance

- 3-4-22 State and assure compliance with bank requirements and with international standards in all bank activities and operations, including compliance with E&S policies, especially those around offerings of environmentally sustainable investments.
- 3-4-23 Obtain regular reports from executive management and the external auditor to ensure that the bank is in conformity with applicable legal and regulatory requirements, especially in relation to financial information, reporting and disclosure.
- 3-4-24 Advise the board regarding bank policies and procedures regarding compliance and applicable laws and regulations over financial information, reporting and disclosure.
- 3-4-25 Approve, on the recommendation of the CEO, the appointment or dismissal of the Chief Compliance Officer (CCO). The AC shall set objectives for the CCO and review his performance annually.

- 3-4-26 Review reports from management and the external auditor regarding material weaknesses and reportable conditions in the internal control environment, including any significant deficiencies in the design or operation of internal controls that could adversely affect the bank's ability to record, process, summarize and report financial data.
- 3-4-27 Monitor compliance to the AML and anti-terrorism funding and the applicable rules and regulations. Review the AML and Anti-Terrorism Funding reports and file a report on the same to the CBI.
- 3-4-28 Review the reports that the bank submits to the CBI. disclosing bank activities and operations.
- 3-4-29 Have the authority to access any information from the executive management and have the right to summon any manager to attend and contribute to any of its meetings.
- 3-4-30 Convene a meeting at least 4 times per year with the External Auditor, the Internal Auditor, the Compliance Officer and the AML Officer without any members of executive management present.
- 3-4-31 Review and approve bank policies and processes (a Whistleblower Policy) for the receipt, retention and treatment of information submitted confidentially by employees and third parties about accounting, internal control, compliance, audit or other matters about which the employee or other third party has concerns and in conjunction with the Risk Committee, monitor employee awareness of these policies and procedures.
- 3-4-32 Be objective, carry out an independent investigation, protect the employee/informant if relevant, and ensure resolution of the matter. Such reports, their number and any outstanding investigations at year end shall be included in general terms in the report of the AC in the Annual Report.
- 3-4-33 Oversee implementation of programs for recovery from crises and disasters in coordination with the management level IT and communications committee and other relevant board committees, especially the Information and Communications Technology Governance Committee of the board.

4. The Risk Committee (RC)

4.1 The board shall appoint the members of the Risk Committee (RC). All members of the RC shall be independent, non-executive directors. The RC shall be comprised of at least five directors. The Risk Committee membership shall include the Chairman of the Audit Committee and the Chairman of the ICTC. The RC Chairman shall not be the Chairman of the board.

4.2 The board shall ensure that all RC members have familiarity with risks and risk management practices in complex institutions. At least one member of the RC shall have experience in identifying, assessing and managing risk exposures large, complex or banking institutions. One member shall be well versed in environmental and social risks

management systems (ESMS) to address these risks. The members of the RC between them shall have the necessary technical knowledge and sufficient understanding of banking and financial services to be able to discharge the RC's responsibilities.

4.3 Risk Committee members shall not serve on the board of more than two other public companies and shall not serve on the RC of any other bank.

4.4 Committee Duties and Authorities

Without limiting its role, the RC shall oversee and review:

4-4-1 The governance of risks impacting the bank and its affiliates and regularly report to the board on its activities. The RC shall include in its oversight, attention to IT risk and sustainability risks, especially the financial risks arising for the bank from climate change, and of the ES Risk Management. The RC shall liaise closely with other board committees with responsibilities for ESG and IT risks. The RC is responsible for overseeing risk and risk -related activities, other than those that are the responsibility of the board itself or specifically delegated to another board committee/s.

4-4-2 The design, implementation and operation of the bank's Risk Management Framework (RMF) to the Three Lines of Defense² model, the bank's enterprise-wide risk management (ERM) approach, and the integration of the ESRM.

4-4-3 The RC shall ensure the risk function is adequate for the size and complexity of the bank and ensure it is adequately resourced. The RC shall ensure management embeds E&S risks into existing risk documents and bank operations relating to specific risk areas (e.g. credit risk management system).

4-4-4 Define, set and annually review the risk appetite for the bank, including E&S risk, and monitor the overall risk profile of the bank and within material risk types.

Regarding risk culture and behaviors, in detail the RC shall:

4-4-5 Review the bank risk management framework and any reports on the RMF to ensure that it continues to operate effectively within the risk appetite set by the board. Recommend to the board any policies and material changes to policies related to risk management and the RMF.

4-4-6 Ensure clear explanation of and responsibility for the ESRM. The ESRM is a subset of the ERM and shall be articulated in a separate document relating solely to the management of E&S risk and shall include climate-related physical and transition risks.

² The Three Lines of Defense model of risk management is a globally applied principles-based model developed by the Institute of Internal Auditors (IIA) to ensure effective management of organizational risk. Line 1 and 2 encompass management responsibilities in risk management and Line 3 requires internal audit to provide independent assurance to the board on the effectiveness of enterprise wide risk management. Details on the model is accessible at <https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

4-4-7 The board shall require management to provide clear guidance in assessing E&S risks in the bank operations, products, services, transactions and general operating environment.

4-4-8 Monitor and report to the board on the current and future risk profile and recommend the risk strategy for board approval.

4-4-9 Monitor and report to the board on emerging sources of risk and the controls and mitigation measures put in place to deal with those risks.

4-4-10 Oversee the structure, design and implementation of management's approach to risk and recommend to the board any changes required and recommend exiting activities that cause risk to the bank and which the bank may not be able to sustain.

4-4-11 Oversee management's implementation and operation of systems, policies and processes to support quality risk management such as material changes to policies, recognition of uncertainties, limitations and assumptions attached to the measurement of material risk types, and changes to operational and governance structures to ensure they continue to support effective risk management.

4-4-12 Review the credit policy and credit risk profile and recommend any changes to the board for approval. The RC shall monitor implementation of the approved credit policy, the management of credit risk including the impact of E&S risks and climate-related risks.

4-4-13 Oversee bank systems and processes for ensuring management of operational risk, liquidity risk and market risk, and which shall include monitoring and testing for the impact of E&S and climate-related risks.

4-4-14 Specify credit ceiling limits for the authority of the Authorized Manager (CEO) or the Regional Manager.

4-4-15 Monitor bank control of risk according to Basel (III) resolutions, including adherence to capital adequacy standards.

4-4-16 Ensure bank compliance to applicable risk management rules, regulations and policies.

4-4-17 Convene at least four (4) times a year. Senior Management may be invited to RC meetings to explain issues as the Committee deems necessary. Senior Management so invited shall not be or vote as a member of the RC.

4-4-18 Approve, on the recommendation of the CEO, the appointment or dismissal of the Chief Risk Officer (CRO). The RC shall check the remuneration terms for the CRO.

4-4-19 Set objectives for the CRO, review his performance annually and monitor the ongoing effectiveness and independence of the CRO and the risk function.

4-4-20 Maintain open and continuous communications with the CRO and obtain regular reports from him on issues related to risk in the bank and the risk culture. The CRO shall also recommend to the RC changes to limits and ceilings delegated.

4-4-21 Review regular reports on breaches of bank policies related to risk and any reports from management of financial crime matters and any violations thereof, including related

to bribery, corruption, money laundering and terrorism funding and subsequent actions management has taken.

4-4-22 Oversee and monitor the capital strategies, cash flows and all the related risk management strategies to ensure their compliance to the Bank-approved frame of risks.

4-4-23 Oversee the adequacy of the bank's insurance program, its capital and liquidity. The RC shall ensure processes are in place to assess and test adequacy of capital and liquidity and shall incorporate E&S and financial climate-related risks into these assessments and testing.

4-4-24 Receive and consider regular reports from executive management committees (Credit Committee, Investment Committee, IT and Communications Committee).

4-4-25 Review and monitor the investment policy, submit recommendations for board approval changes related to investments, and oversee the implementation of the board approved investment policy.

4-4-26 Assess the performance of the investment portfolio of bank internal and external investments and continuously review local and foreign capital markets movement and indices.

4-4-27 Annually evaluate its performance and the fulfillment of its responsibilities stated herein. The RC shall annually review the Risk Committee Charter and recommend to the board any changes.

4-4-28 Report in the Annual Report, identifying its membership, the bank risk framework, risk appetite, its activities in the year and key material and foreseeable risks.

5. Information and Communication Technology Governance Committee (ICTC)

Without limitations to its role, the ICTC is a board-level committee which shall ensure oversight of all IT and communications of the bank to ensure the related functions operate efficiently and effectively to support bank needs, strategies and objectives, operations and significant technology investments. The ICTC shall provide constructive challenge to management on the strategy, governance and execution of matters relating to technology, including data and cyber technology.

The board shall appoint the members of the Information and Communication Technology Governance Committee (ICTC). The ICT Committee shall comprise at least three directors. All members of the ICTC shall be independent, non-executive directors. The ICT Committee membership shall include the Chairman of the Board. The ICT Committee Chairman shall not be the Chairman of the board.

The ICTC shall:

5.1 Adhere to the provisions of the IT Governance Code issued by CBI in 2019.

5.2 Monitor and oversee all IT and communications initiatives of the bank including review and approve the bank's technology planning strategy and liaise with the RC which oversees technology risks.

5.3 Monitor and oversee the work of the management-level Information Technology and Communication Committee and receive monthly reports from management on technology matters.

5.4 Monitor and evaluate existing and future trends in technology that may affect the bank's strategic plans.

5.5 Ensure that the bank has an appropriate information and communication technology governance structure in place, which includes:

- an IT strategic plan that is aligned with the bank's business model and strategy
- an IT structural organization that has a clear description of roles and responsibilities for individual IT functions led by a management-level Information Technology and Communication Committee
- IT policies and procedures and standards to enable the bank to manage and control information and technology resources, bank information and bank risk and reporting requirements
- IT processes to enable IT decisions and to set, achieve and monitor IT objectives
- IT organization that will effectively deliver IT services to business units
- Robust project frameworks and management for IT project implementation.

5.6 Review and evaluate business cases with significant IT components and make recommendations to the board for its approval.

5.7 Monitor the implementation of approved IT projects to ensure appropriate management control and quality outcomes (in relation to timeliness, budget, scope, and business benefit).

5.8 If necessary, investigate any matter related to ICT that it deems appropriate.

5.9 Receive reports from management related to the bank's technology operations, including software development and performance, information security and cyber security, technology architecture, technical operations, and technology investments, and may call on bank resources and seek information it requires for its activities as necessary.

5.10 Report regularly to the board on ICT Committee activities and on the state of information technology and communications within the bank and report to the board immediately on any matters of concern.

5.11 Provide to the board adequate information in relation to IT performance, state of major IT projects and other significant ICT issues so the board may make well-informed decisions about the bank's operations.

6. The Nomination and Remuneration Committee (NRC)

6.1 The board shall appoint the members of the Nomination and Remuneration Committee (NRC). The NRC shall comprise at least three members and all shall be

independent, non-executive directors. NRC membership shall include the Chairman of the Board.

6.2 The Chairman of the board shall not chair the meeting of the NRC discussing the Chairman's performance.

6.3 NRC members shall not serve on boards of more than two other public companies.

The Committee shall:

6-4-1 Establish a policy for and oversee a formal, rigorous, transparent process for the selection, nomination, appointment and reappointment of directors to the board based on merit. The goal is to have a qualified and competent board capable of achieving the bank strategy and long-term sustainability. **(See Annex 6 – Board Skills Matrix)**

6-4-2 Support and advise the board in ensuring it is comprised of individuals who meet all legal and regulatory requirements and who are best able to discharge the duties and responsibilities of directors of a bank.

6-4-3 Establish a board nominations policy and devise, review and lead the process for nominations to the board and its committees for board approval. **(See Annex 8 – Director Nominations Process)**. The NRC shall identify, assess and nominate suitable directors to the board for the board to consider for appointment.

6-4-4 Recommend to the board candidates for directorships to be considered for appointment by the shareholders. The NRC shall consider only persons of calibre, credibility and who have the necessary skills and expertise to exercise independent judgement on issues that are necessary to promote the company's objectives and performance in its area of business.

6-4-5 Consider candidates for directorships proposed by the shareholders including the majority shareholders.

6-4-6 Oversee a continuous and pro-active process for planning and assessment of candidates to ensure plans are in place for orderly succession for members of the board, board committees, senior executive management roles, and other senior appointments within the bank.

6-4-7 On an annual basis review the required skills mix and expertise that the executive directors as well as independent and non-executive directors bring to the board and make disclosure of the same in the Annual Report.

6-4-8 Review and lead on the annual evaluation of the performance of the board, board committees and senior management.

6-4-9 Specify the criteria of persons to join the board or join bank senior management, excluding the appointments of the Internal Auditor and the Chief Risk Officer which is the role of the Audit Committee and the Risk Committee respectively.

6-4-10 Review and approve bank senior executive appointments, including interim appointments, on the recommendation of the CEO.

6-4-11 Review and approve for recommendation to the board formal and transparent processes for developing policies on director and executive management remuneration. No director shall be involved in fixing his own remuneration.

6-4-12 Review and recommend to the board the bank's remuneration policy and oversee its implementation taking the following into consideration:

6-4-12-1 Compliance to bank governance practices and policies to ensure consideration of bank long-term as well as short and medium-term objectives.

6-4-12-2 Bank achievement of its long-term objectives according to its approved strategic plan.

6-4-12-3 All types of bank exposure to risks weighed against the profits made in banking activities and businesses.

6-4-12-4 Review and make recommendations on high level remuneration policies and remuneration of employees in all levels and categories.

6-4-12-5 Regular review of the remuneration policy and amended as required. The regular assessment shall also ensure the sufficiency and effectiveness of the remuneration policy to ensure the attraction and retention of talent.

6-4-13 Make recommendation to the board about board committee membership.

6-4-14 Ensure plans and programs to continuously train and qualify board members to keep pace with the latest developments in banking and financial services (Commercial and Islamic).

6-4-15 Develop and recommend for board approval the bank Diversity and Inclusion policy and annually review and monitor progress to the policy's objectives.

6-4-16 Oversee the bank annual board, board committee and individual director evaluation process and implementation of actions arising and progress thereon.

6-4-17 Oversee the bank HR management performance, especially the performance of executive management. The NRC shall review HR report and make recommendations to the Board on HR developments.

7. The ESG and Sustainability Committee (ESGSC):

7-1 The ESG and Sustainability committee (ESGSC) shall be comprised of three members, all of whom are independent non-executive members, and the committee shall include the chairman of the board.

7-2 The chairman of the board shall be the chairman of the ESGSC.

The Committee shall:

7-3-1 Monitor and oversee the maintenance of high standards of ESG, including climate related matters. In this the ESGSC may delegate to a sub-committee monitoring and oversight of bank climate related matters.

7-4 Ensure application of and regular update of the bank ESG Guide and relevant ESG documents.

7-5 Prepare the ESG and Sustainability Report (ESG Report) for the Annual Report and recommend it to the board for approval. In this the ESGSC shall liaise with the AC on the reporting process. The external auditor shall provide limited assurance on the ESG Report for the initial three years, after which the external auditor shall provide reasonable assurance on the ESG Report.

7-6 Periodically review the structures for effective ESG governance, including the establishment and dissolution of board committees and propose any changes for board approval.

7-7 Ensure bank and individual director and senior managers application of the ESG Guide and bank ESG policies and procedures.

7-8 Ensure adherence to board member independence requirements, disclosures of interests.

7-9 Regularly review, promote and model requirements of the bank Code of Conduct and policy on Conflicts of Interests.

7-10 Ensure bank reporting on and adherence to the CBI ESG Scorecard requirements, including evidence requirements.

7-11 Ensure bank compliance with applicable ESG laws and regulations, policies and practices.

7-12 Review the annual training and development plans for bank-wide senior management and staff on ESG, sustainability and climate and make recommendations to executive management and HR on such training plans.

Article (13): Conflict of Interests and Code of Conduct

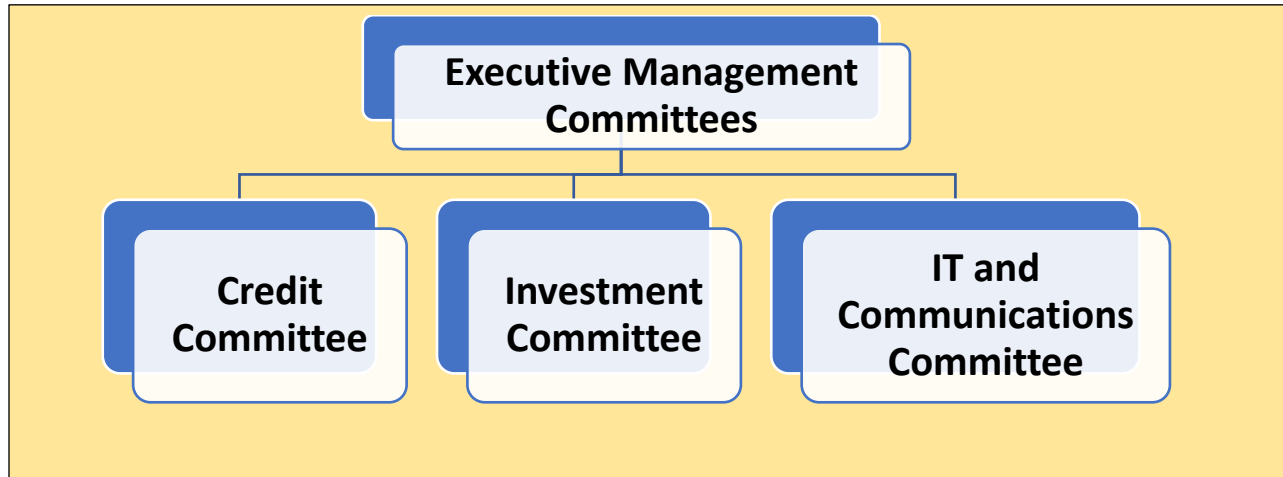
- 1) The board shall ensure due diligence in arranging the bank affairs and director and senior management personal affairs to avoid any conflict between personal interests and bank interests.
- 2) Each director shall make a disclosure of his interests annually in writing and shall keep the disclosure current as the director's interests change.
- 3) The board shall develop and approve a bank Conflicts of Interests policy which shall include a sub section on policies and processes for handling Related-Party Transactions.
- 4) The board shall include in the Conflicts of Interests policy policies and procedures for handling the conflicts which may arise when the bank is a part of a banking group and shall disclose, in writing, any conflict of interests that may result from the bank relations to group companies.
- 5) The bank shall include in the Conflicts of Interests policy policies and procedures for dealing with related persons and related party transactions, to ensure the identification of such transactions and persons, and ensure they are handled in accordance with the policy.
- 6) Bank controls shall ensure that the transactions with related persons' have been reviewed and approved in accordance with the applicable policies and procedures. The Audit Committee shall review and monitor all related party transactions and approve those

transactions over set limits and inform the board of such transactions and the related persons.

- 7) The board shall develop and approve a bank Code of Conduct which shall apply to the board, all bank employees, including management and the board shall ensure all affected understand the standards of behavior, actions and decisions expected.
- 8) The Code of Conduct sets out the clear standard of conduct expected of all associated with the bank and in the way the bank is expected to do business. All directors, senior management and employees shall adhere to the Code of Conduct to ensure the bank attains and retains the trust of its stakeholders.
- 9) The Code of Conduct shall at least include the following:
 1. A statement of bank values and standards of expected behavior in relation to ESG and climate related matters, bribery, corruption, AML, misuse of confidential or bank information, lack of tolerance for discrimination, bullying, harassment, need to ensure a safe and healthy workplace, respect for clients, colleagues and the community, acting with integrity and honesty, not providing false or misleading information, ensuring fees and charges are fair and reasonable, prohibition of insider trading.
 2. A statement about how a bank person deals with the Code – read it, understand it, apply it and speak up if he sees incorrect behavior.
 3. Examples of good behavior
 4. Examples of unacceptable behavior
 5. Contacts in the bank if uncertain of correct behavior
 6. Process of handling complaints to ensure resolution.
- 10) The board shall ensure that it and executive management demonstrate the behaviors cited in the Code of Conduct.
- 11) The bank shall be transparent with the CBI and shall provide CBI with relevant information, including the number of shares mortgaged by the bank shareholders who own 1%, or more, of the bank capital, and the mortgagee of the same.

Part Five: Executive Management

Figure (2) The Executive Management Committees



Article (14): Executive Management Committees

Senior management shall establish management level committees to support its duties and to enable regular reporting to relevant board committees. Management committees shall ensure the effectiveness of bank control and supervision. Executive management committees shall be comprised of at least three members. In the Annual Board Calendar, the management committees shall inform the board of the dates of their meetings so that any board members may attend in their capacity as supervisors, if they so wish.

1) The Credit Committee

1-1 The Credit Committee is a management level committee³. It shall allow the attendance of the Chief Risk Officer (CRO) at Credit Committee meetings but the CRO will have no voting power for decisions at the Credit Committee.

1-2 The Committee shall:

1-2-1 Convene at least once per month or as necessary;

1-2-2 Evaluate proposals for commercial, corporate, and SME loans within the bank. Such evaluation shall include assessment for exposures to ESG and climate related risks. The committee shall convene, evaluate proposals, approve or reject those transactions under its authority.

1-2-3 Proposals beyond the Credit Committee's delegated authority levels are submitted to the board of directors for approval who shall also consider ESG risks and opportunities in its decision-making.

³ A credit committee reviews applications for loans and other types of credit. They are generally composed of senior managers or executives, experienced finance managers. All committee members must satisfy any independence or membership requirements for credit, loan, or similar committees in accordance with applicable laws, rules, or regulations.

1-2-4 Supervise implementation of CBI instructions regarding assessment of the credit worthiness of the clients and when making loan decisions. Such assessment shall include assessment of E&S risks.

1-2-5 Review credit exposures by reviewing:

1-2-5-1 Credit register accounts.

1-2-5-2 Clients affairs (consumers and beneficiaries).

1-2-6 Follow up the movement of loans repayment.

1-2-7 Cooperate with the Legal Affairs Department in collection of bad loans.

1-2-8 Work on the collection of the doubtful debts, as much as possible.

1-2-9 Document and participate in the procedures for granting loans.

2) The Investment Committee

2-1 The Committee is a management level committee and shall convene at least once per month or as necessary.

2-2 The Committee shall:

2-2-1 Divide the Investment Portfolio into “Equity” and “Debt Instruments” including all treasury transfers, government shares, as well as the portfolio components from the foreign instruments.

2-2-2 Propose sale, purchase transactions or retention of components of the investment portfolio. If outside of investment limits for the Investment Committee, board approval shall be sought.

2-2-3 Review regularly the performance of the portfolio against benchmarks and indices used by the Investment Department or Investment Units and submit the necessary suggestions in this respect.

2-2-4 The Investment Committee shall review investments and the investment portfolio for ESG and climate-related matters and risks and opportunities.

3) The IT and Communication Committee

3-1 The Committee is a management level committee, and it shall convene at least once a month or as necessary and shall report monthly to the board-level ICTC on its activities.

3-2 The Committee shall:

3-2-1 Adhere to the provisions of the IT Governance Code issued by CBI in 2019.

3-2-2 Review and develop the uses of IT and Communications and ensure the security of information and communications.

3-2-3 Provide sufficient and operationally effective IT infrastructure, IT and communications systems, electronic networks and software used in the Bank.

3-2-4 Provide sufficient and operationally effective procedures taken to keep updated backup information copies to face the potential crises and the loss of databases.

3-2-5 Provide adequate technologies for customer e-services and ensure effective operations of customer technologies.

3-2-6 Check and manage the quality and appropriateness of the Bank intranet and website.

3-2-7 Manage and monitor the implementation of continued business programs with IT components and programs for crises and disaster recovery.

3-2-8 Develop and implement a guide for IT and Communication policies and procedures, and update the same, while offering the necessary suggestions for the development of the guide according to the work requirements.

3-2-9 Ensure the separation of the duties of the IT and Communication Department on one hand and those of other Bank departments on the other hand.

Article (15): Executive Management

1) Executive management members shall enjoy a high degree of credibility, integrity, efficiency, banking experiences and commitment.

2) The Board and the Nominations and Remuneration Committee shall be responsible for ensuring fit and proper and effective personnel in executive management.

3) The Executive Management Framework:

Executive management shall:

3-1 Be comprised of competent senior bank officials.

3-2 Structure for and implement the board approved strategies and policies for the bank which include E&S and climate-related strategies, and which are within CBI and other regulations.

3-3 Exercise its delegated authorities and perform its responsibilities in accord with board resolutions.

3-4 Be responsible to the board for prudent management of bank objectives and operations and for the integration of sustainability risks into bank risk management.

3-5 Lead the day-to-day activities of the bank, report to the board on these and not be subject to board interference on daily/normal operations.

3-6 Prepare and implement strategic and operational plans and amendments on the plans for board approval and ensure effective implementation of the plans.

3-7 Duly and diligently adhere to laws, regulations, guidelines and bank policies and board decisions applicable to the bank.

3-8 Submit recommendations to the board on important matters related to bank operations including implementation and enhancement of management of deposits, loans, and investments.

3-9 Review and execute board-approved bank expansion plans for branches and new offices.

3-10 Develop and set internal policies and procedures related to all bank operations.

3-11 Establish an effective bank organizational structure that includes specifying the main functions and duties and responsibilities of functional leaders and specifying the main horizontal and vertical reporting and communication lines.

- 3-12 Ensure quality, well-resourced, professionally finance function to manage efficient and effective management and reporting to the board on bank finances. Reporting on bank finances includes preparation of bank annual financial statements and interim (quarterly and half-yearly at the minimum) reporting to the board on financial issues and position. Bank Financial Statements shall follow IFRS requirements.
- 3-13 Ensure management and employee compliance with internal control regulations, established to protect bank funds and assets and ensure the safety of bank operations.
- 3-14 Draft for board approval a suitable system for oversight and management of all bank risks including ESG risks. The risk management system as approved shall be implemented by the bank Risk Management function. It shall assign to distinct personnel management of E&S risks including climate-related risks. The Risk Management system shall include a subset system dealing specifically with Environmental and Social risks faced by the bank – the Environmental Social Risk Management System (ESRM).
- 3-15 Provide relevant internal and external control authorities with reports and information as required and facilitate and support regulatory control and supervisory missions.
- 3-16 Keep abreast of developments in banking practices and ensure compliance to international standards and expectations in bank activities and operations.
- 3-17 Provide to the board timely, accurate, regular reporting on bank strategies, performance, and work progress.
- 3-18 Establish and keep complete information records of bank activities for a period of 7 years, complete with necessary supporting documents, and systems to read those documents and records.
- 3-19 Discuss and co-ordinate efforts between the different departments to ensure efficient banking operations, compliance with set responsibilities and limits, harmony and integration.
- 3-20 Specify the HR needs and ensure appropriate training and development of staff.
- 3-21 Monitor bank financial status and ensure profitability within the framework of the balance needed between risks and returns and the bank annual plan.
- 3-22 Review the official website of the AML office for the list of entities and individuals for freezing of terrorism funds. The bank shall inform the AML office and the Banking Control Department in CBI immediately a client is a person or entity on the list.
- 4) Executive management shall obtain board consent for appointments to executive management positions.
- 5) Conditions for appointment as a member of bank executive management include:
The executive management member shall:
 - 5-1 Not be a member of the board of another bank, unless such other bank is affiliated to this bank.
 - 5-2 Be fully dedicated to the management of bank business and shall have no other employment role.

5-3 At least have a university degree in finance or banking, or in business administration, accounting, economics, law, sustainability or IT sciences. Qualifications for an individual shall be related to and appropriate for a specific position.

5-4 Have experience in banking or related businesses, according to the regulation approved by this bank.

- 6) shall be approval of this bank must be obtained for the appointment of the leadership positions stipulated in accordance with the applicable regulation.
- 7) Nominees for bank executive management roles shall provide the bank with his/her resume and supporting documents, academic certificates, experience certificates, good conduct certificates and other documents, to facilitate approval from CBI.
- 8) A administrative officer dismissed by CBI may not be a board member, an Authorized Manager /CEO of any other bank or a branch of a bank, and may not be an administrative officer or in executive management of any other bank.
- 9) CBI shall be notified within three (3) days upon the resignation or dismissal of any members of executive management and CBI shall be notified of the reasons for such resignation or dismissal.
- 10) A person who has been a member of executive management of the bank whose license has been cancelled, who or is subject to bankruptcy proceedings, may not be a member of executive management of this bank or any other bank, unless CBI decides otherwise.

Part Six: Control, Transparency and Disclosure

Article (16): Internal Audit

Internal Audit provides the regular assessment required for the quality of the Bank accounts, performance and work progress, while ensuring compliance to the international standards, and submits regular reports to the Auditing Committee on the efficiency and appropriateness of the internal control operations and procedures approved and executed by the Bank Management.

1) Requirements of the Internal Auditor and Staff

1-1 The Internal Auditor and his assistant shall at least have a bachelor's degree in accounting, bank management, financial and banking sciences or any of banking related fields of study and shall have experience and practice in the field of audit and control according to the rules and regulations issued by the bank in this respect.

1-2 Staff in Internal Audit shall be specialized and experienced in accounting and audit. They shall regularly undergo training and development to ensure currency with international best practices related to bank internal audit.

2) Internal Audit Relations within the Bank

2-1 The board shall ensure that the Internal Audit function is subject to direct supervision by the Audit Committee, shall ensure the independence of the Internal Audit function and of the Internal Auditor, and that the IA reports directly to the Audit Committee chairman.

2-2 Internal Audit shall have authority to directly communicate with the bank board, the chairman of the board, the Audit Committee, or the Compliance Officer.

2-3 Monthly, quarterly, semi-annual and annual reports on the results of Internal Audit work shall be submitted to the Audit Committee.

2-4 The Internal Audit function shall have a charter including policies and procedures which shall be approved by the Audit Committee and the board and shall be subject to review and update by the Audit Committee at least annually.

2-5 The Internal Audit function, internal controls and oversight systems structure and effectiveness, including Shariah Audit function, shall be reviewed by the Audit Committee at least once per annum or as often as necessary.

Article (17): Internal Shariah Audit

Shariah Internal Audit function shall be concerned with following up and reviewing the work guides and systems procedures in Islamic banks regarding how aligned they are to the rules laid down and reviewed by the Shariah Board. Shariah Internal Audit shall ensure that the products and services provided by the bank have been approved by the Shariah Board.

1) The Relation between the Shariah Board and Shariah Internal Audit

Shariah Internal Audit shall:

1-1 Ensure the completion percentages of the auditing plans and follow up any updates of the same based on the field remarks.

1-2 Review the work guide which lays down the objectives, authorities and responsibilities of the Department.

1-3 The Shariah Internal Auditor shall not have any executive powers or responsibilities towards the works carried by him.

1-4 Specify the deviations and violations in executing the Shariah Board resolutions and Fatwas.

1-5 Assess the performance of the Shariah Internal Auditing manager and employees.

1-6 Review and assess the efficiency and sufficiency of the Bank Shariah Internal Auditing system.

1-7 Follow up the compliance of the Bank Management to the Shariah aspects, fatawas and resolutions issued by the Board.

1-8 Follow up the Bank compliance to the Shariah and accounting standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB).

1-9 Lay down the annual Shariah Auditing Plan, to be approved by the Shariah Board and comply to the implementation of the same.

1-10 Inspect the receivables and funding which are categorized within the non-operating facilities, or which have been decided to be dumped, and which have been financed by the common investment accounts to ensure that no violation nor breach is committed by the Bank.

1-11 Ensure the Executive Management compliance to the policy which organizes the relationship between Shareholders and investment accounts holders specially the basis for the distribution of profits.

2) The Board relations with the Shariah Internal Auditing Department

The Board shall:

2-1 Ensure and enhance the independence of the Shariah Internal Auditors and ensure that they are well qualified to carry out their job duties, including access to all the records and information and the ability to communicate with any of the Bank employees so that they might be able to carry the duties assigned to them and prepare their reports without any external intervention.

2-2 Take the necessary measures to enhance the efficiency of the Shariah Internal Auditing by:

2-2-1 Giving due importance to the Shariah auditing processes and deeply promoting the same in the Bank.

2-2-2 Follow up the correction of the Shariah Auditing feedback.

2-3 Ensure that there are enough financial resources and human resources qualified for the Shariah Internal Auditing Management and train them so that the employees shall at least have:

2-3-1 A specialized university degree with knowledge of the bases of Islamic financial transactions, the conditions of each contract and the grounds of its corruption.

2-3-2 The Head of Shariah Internal Auditing Department shall have Obtaining certificates approved by this bank.

2-4 Ensure that the Shariah internal auditing employees shall not be assigned to carry out any further executive tasks.

2-5 The Internal Audit Charter shall be approved which shall include the Shariah Auditing Department duties, authorities and responsibilities and the same shall be circulated within the Bank.

2-6 Ensure that the internal Shariah Auditing Department shall be subject to the direct supervision by the Shariah Board and shall file its reports to the Chairman of the Shariah Board, with a copy to the Auditing Committee.

Article (18): Board Relations with the External Auditor

The board shall:

- 1) Ensure a regular rotation of the external auditor firm and its affiliated, allied or sister companies every five (5) years at most, from the date of initial selection as external audit firm.
- 2) Take necessary measures to ensure management addresses issues of weakness in the internal control and supervision systems or any other points raised by the external auditor.
- 3) Through the Audit Committee, support the work of the external auditor and ensure that the financial statements do provide a true and fair reflection of performance and financial position.
- 4) Stress the importance of effective communication between the external auditor, the Audit Committee and the board itself.

Article (19): Board Relations with the Risk Management Function

The board, with the support of the board Risk Committee (RC), shall:

- 1) Ensure that the Risk Management function monitors the bank departments according to the specified accepted risk levels (ARLs), including those of ESG.
- 2) Investigate the treatment of all violations/breaches of accepted risk levels (ARL), including investigating the relevant executive department having such violations.
- 3) Ensure that the Risk Management function is carrying out “stress tests” on a regular basis to measure bank ability to withstand shocks and high risk. The board shall have an important role in approving the assumptions and scenarios used in stress testing, in discussing the results of such tests, and approving the procedures to be taken based on such results.
- 4) Approve an internal assessment methodology to measure sufficiency of the bank capital, in accordance with the resolutions of Basel Committee on Banking Supervision (BCBS): Basel II and Basel III and any other international standards. Such methodology shall be comprehensive, effective and capable of specifying all the risks that the bank may be exposed to, taking into consideration the bank strategic plan and the capital plan. The methodology shall be regularly reviewed to ensure capital adequacy of the bank in the face of potential risks.
- 5) Ensure the Risk Management function employees shall be experienced and qualified in bank risk management. The RM function shall be adequately resourced to manage any expansion in the bank structure or operations.
- 6) Ensure the Bank Risk Management Department independence, by filing its reports to the Risk Management Committee, and giving such Department the necessary authorities to enable it to obtain information from the Bank other departments and to cooperate with other committees to carry out its task.
- 7) Approve the bank Risk Appetite, which shall conform to acceptance of a risk level that is appropriate to its capital and financial position.
- 8) Monitor and regularly review continuity of steps to identify, measure, manage, and control risk, and amendment to these steps as necessary, according to market developments and the environment in which the bank operates.
- 9) Ensure an efficient and effective information management system to support management and communications of risk information so that the bank senior management, the Risk Committee and the board shall be provided with regular reports, on a monthly basis at least,

that reflects bank compliance to the set accepted risk level (ARL). The information management system should also show violations of the ARL, reasons for violations and corrective measures taken. Investment in and resourcing of bank information systems shall be adequate.

10) The Risk Management Department shall, at least:

10-1 Study and analyze all risks the bank may be exposed to, including ESG and climate-related risks.

10-2 Prepare and seek board approval of a Risk Management Framework based on the Three Lines of Defense and report on the effectiveness of the framework to the Board.

10-3 Implement the risk management strategy and develop business policies and procedures to identify and manage bank risks.

10-4 Develop methodologies to identify, measure, control and regulate all risks of all types, including ESG risks.

10-5 File reports to the board, through the Risk Committee, copying executive management. The report shall include the actual Risk Profile of all the bank operations and compare it to the approved Risk Appetite. The board and the Risk Committee shall monitor implementation of any adjustments if required.

10-6 Ensure integration of risk measuring mechanisms into the Management Information System (MIS).

10-7 Submit recommendations to the Risk Committee concerning bank risk exposures and keep records of exceptions allowed to the risk management policy.

10-8 Provide the necessary information concerning bank risk to be used for disclosure purposes.

Article (20): Board Relations with the Compliance Department

- 1) The board shall review and approve a clear policy to ensure bank compliance to all applicable laws, regulations and guidelines and bank policies. The board shall regularly review and check implementation of the compliance policy.
- 2) The Board shall approve the tasks, responsibilities and resourcing of the compliance function.
- 3) The compliance function shall report to the Audit Committee and shall provide a copy of the report to the General Manager or the Authorized Manager.
- 4) The board shall require bank executive management to establish an independent compliance function, which shall be adequately resourced by qualified personnel.
- 5) The compliance function shall prepare policies and procedures to ensure effective bank compliance to all the applicable laws, regulations and guidelines and bank policies. The board shall document and approve the tasks, responsibilities and resourcing of the compliance function, publish it on the bank website and shall circulate it throughout the Bank.

Article (21): Board Relations to AML and Terrorism Funding Department

The Board shall:

- 1) Ensure, through the Audit Committee and bank control functions and divisions, that the bank has taken the due diligence measures to clients according to the AML and Terrorism Funding Law No. 39 of 2015 and the regulations thereof.
- 2) Ensure that the Bank is keeping all required documents, registers and records for at least five (5) years as at the end of relations with the client or on closing the account, or when implementing transactions for transient clients, whichever is longer. The records shall allow relevant authorities timely access and as soon as possible.
- 3) Such records, documents and registers shall include the following:
 - 3-1 Copies of all registers obtained through the due diligence process when checking transactions, including the ID documents of the actual beneficial clients, accounting records and business correspondence.
 - 3-2 All registers of the local and international transactions whether actually executed or which were attempts at execution. Such registers shall be as detailed as possible to allow for the representation and tracking of each individual transaction.
 - 3-3 The registers relating to the risk assessment or any other information on executing and updating the same.
- 4) Approve the AML and Terrorism Funding programs which shall include:
 - 4-1 Assessment of the bank's AML and Terrorism Funding risk exposure.
 - 4-2 Approval of internal policies, procedures and regulations, necessary to meet obligations in AML and Terrorism Funding.
 - 4-3 An independent audit to test the effectiveness of AML and Terrorism Funding policies, procedures and practices.

Article (22): Shareholders Rights

Shareholders rights shall include the right to:

- 1) Register and trade the shares.
- 2) Equitable treatment of all shareholders, including minority shareholders and especially transparency regarding related-party transactions and conflicts of interest.
- 3) Access to adequate and timely information on all material matters, material to the investment decision, to enable them to fully exercise their rights on a regular basis.
- 4) Receive information about the time, date and location of the annual General Assembly of Members (AGM), the AGM agenda and all instructions about attendance and voting at the AGM. Such notice shall be received and made public on the website at least thirty (30) days before the meeting date.
- 5) Participate and vote in the AGM in person or in absentia. All shares shall have one vote each.
- 6) Vote on all matters that would fundamentally, either individually or collectively, change the control or nature of the bank.
- 7) Discuss resolutions on the AGM agenda and ask questions of board members relating to the resolutions.

- 8) Elect or terminate board members, enquire about their qualifications, experiences and ability to perform their job, discuss the size remunerations and financial incentives given to the Board Members and Senior Executives, and they shall also be entitled to enquire the Board about any non-professional practices.
- 9) Small shareholders may elect one member or more to represent them in the board through cumulative voting processes.
- 10) Ask questions of the external auditor regarding the Audit Report and the Financial Statements and issues arising.
- 11) Receive dividends according to the published dividend policy.

Article (23): Board Relations with Shareholders

- 1) The board shall ensure full, equitable and timely communication with all shareholders. The board shall ensure reporting to all shareholders of all material information, material to the investment decision, concerning bank activities. Effective communications shall occur through various means including:
 - 1-1 General Assembly Meetings. All board members, especially Chairmen of board committees, and the external auditor shall attend the AGM.
 - 1-2 the Annual Report, the Governance Report and the Sustainability Report, if not included in the Annual Report.
 - 1-3 Quarterly reports and investor presentations that include information on the finances of the bank and its financial performance and position. financial information, in addition to the board report on the exchange of the Bank shares and financial status over the year.
 - 1-4 The bank website.
 - 1-5 The Shareholders Relations Department.
- 2) Separate votes shall be held on each and every resolution in the annual General Assembly Meeting. Resolutions shall not be bundled together.
- 3) Following the end of the annual General Assembly Meeting, a report shall be made on the bank website to inform shareholders of remarks made during the meeting, the results of voting on resolutions, the questions shareholders asked, and the responses of the board to the same.
- 4) The board shall ensure engagement with shareholders by the following at least:
 - 4-1 Prepare for and hold regular meetings with major shareholders to understand their issues and views relating to the bank and its activities.
 - 4-2 Ensure board members are informed of shareholders' viewpoints specially in relation to the bank strategies, operations and governance.
 - 4-3 The Annual Report shall explain the steps taken by board members or senior executive to gain a common understanding of the views of major shareholders on bank performance.
 - 4-4 All board members shall attend the AGM. Chairpersons of all board committees shall be required to respond to questions relevant to the specific committee at the AGM.

Article (24): Disclosure and Transparency

- 1) The board shall provide information as required by applicable laws and regulations. In addition, the board shall provide comprehensive, relevant and reliable financial and non-financial information that is of interest to shareholders, which is material to the investment decision, and which reflects the true position of the bank.
- 2) The board shall ensure compliance with all required disclosures, including those related to requirements of International Financial Reporting Standards (IFRS), CBI instructions and other requirements. The board shall ensure that executive management has applied all changes to the IFRS and other applicable standards or regulations.
- 3) The bank shall issue an Annual Report which includes statements from the board indicating it is responsible for the accuracy and reliability of bank financial statements and other information in the Annual Report (**See Annex 10 – Disclosures in Model Annual Report and on Website**). The board will also make a declaration of the effectiveness of bank risk management and internal control systems, including ESRM.
- 4) The board shall ensure that the Annual Report and quarterly and half-yearly reports shall include disclosure to shareholders of the financial position of the bank, including profitability and on-going sustainability and liquidity.
- 5) Disclosures should be made in Arabic and English.
- 6) The Board shall ensure the Annual Report includes the following:
 - 6-1 Bank organizational structure, showing the board and board committees and executive management and management structure.
 - 6-2 The bank business model and how it creates value for shareholders and stakeholders.
 - 6-3 A report from the board on the ESG practices of the bank, on the bank board composition and skills, its responsibilities and activities in the year.
 - 6-4 Reports from each board committee on its composition and skills, its responsibilities and activities throughout the year.
 - 6-5 Information about each board member, their name and qualifications, experience and shares in the bank, membership of board committees, date of appointment, attendance at board and board committee meetings, membership of boards of other companies, remuneration of all forms from the bank for the financial year, loans with the bank and other transactions with the bank for the director himself or his related persons.
 - 6-6 Bank Financial Statements and the external auditor's report.
 - 6-7 Information about the strategies and performance of the bank, including ESG strategies, risks, performance, and the time frame for target achievements and progress towards these targets.
 - 6-8 Information about bank risks, the risk management framework, including its structure, processes and accountable persons, major risks and actions taken to manage or mitigate the risks, and a statement of bank foreseeable risks. The information shall include a review of the ESRM dealing with environmental and social risk management, including climate change issues.

- 6-9 Revisions to key governance documents during the year, including to the Code of Conduct and Conflicts of Interests policies.
Information about senior management, their qualifications, roles and activities.
- 6-10 A summary of the bank remuneration policy, and the total remuneration given to each member of executive management over the past year.
- 6-11 Information on all related party transactions, their nature and approval processes and specific information on major related party transactions approved by the board.
- 6-12 Names of the shareholders who own 2% or more of the bank, and associated groups which own 5% or more of the Bank capital. Ultimate beneficial shareholders shall be identified. All shareholders holding 2% or more of bank shares shall declare if the shares have been fully or partially mortgaged.
- 7) The board shall ensure issuance of a Sustainability Report either as part of the Annual Report or as a separate detailed report on sustainability issues, including environmental and social issues. The report shall include discussion of the bank's major or material stakeholders, bank engagement with each major stakeholder group, bank understanding of stakeholder material interests and needs, and bank actions in response to these.

Part Seven: Governance of Stakeholder Relations and Climate

Article (25): Governance of Stakeholder Relations

- 1) Stakeholders can impact positively or negatively a bank's reputation, trust, loyalty legal and regulatory risks, profitability and eventually market share. The board shall oversee and facilitate bank engagement with its stakeholders to build mutual trust, respect and understanding. Relations with stakeholders shall be organized, on-going.
- 2) The board shall establish an ESG and Sustainability Committee of the board to lead and oversee stakeholder relations (**See Annex 3**). The ESGSC may delegate some stakeholder activities and stakeholder engagement to a sub-committee or to management.
- 3) The board shall understand who the entity's stakeholders are, their needs and their expectations.
- 4) The board shall oversee a framework for engagement with stakeholders.
- 5) Stakeholders shall be considered in relevant board decision-making and the board shall build relevant stakeholder consideration into the entity strategy and business model, board responsibilities and agendas, company operations, especially contractor and supplier relations.
- 6) Management shall regularly report to the board on stakeholder issues and expectations and shall raise with the ESGSC persistent stakeholder issues for resolution.
- 7) The board shall establish a policy on Stakeholders and Stakeholder Engagement as part of its commitment to stakeholders. The policy shall be publicly available on the bank's website.
- 8) The policy on Stakeholder and Stakeholder Engagement shall include:
 - 8-1 Governance responsibilities for stakeholder engagement, which includes approval of the Stakeholder policy, monitoring of engagement, understanding their needs and interests, incorporating these needs and interests in board decision making and reporting on the engagement process.
 - 8-2 Identification and prioritization of stakeholders.
 - 8-3 Stakeholder analysis to identify the needs and interests of diverse stakeholders and root causes of stakeholder grievances.
 - 8-4 Method of determining materiality of issues and topics for priority stakeholder groups.
 - 8-5 Development and management of a stakeholder engagement plan to be implemented mostly by management, which includes determining stakeholder interests, differentiated methods of engagement, management of engagement and communications with stakeholders, measurement of success of engagement.
 - 8-6 Board responses to stakeholder issues/topics and management of stakeholder expectations.
 - 8-7 Areas of focus of such engagement may change over time (issues on which to engage may be environmental, social, human rights, consumer issues); these should be noted.

8-8 Actions to monitor the effectiveness of stakeholder engagement, including grievance and whistleblowing mechanisms for internal and external stakeholders.

8-9 Outcomes of the engagement process and future areas of focus.

Article (26): Reporting on Governance of Stakeholder Relations

The board shall report on stakeholder engagement policies and processes, stakeholder interests and the mechanisms the entity uses to respond to material stakeholder interests or complaints⁴. Stakeholder engagement processes and outcomes shall be reported clearly in the Annual Report or in a separate Sustainability Report.

Article (27): Governance of Climate Matters

Climate issues emerged as an issue in the UN system in the 1990's culminating in the 2015 Paris Agreement where many countries signed up to addressing climate change challenges and emissions with a goal to achieve net zero emissions by 2050. Climate change governance and reporting is now the subject of regulation in many countries. Investors seek clarity from entities on their management of the risks and opportunities associated with climate change.

- 1) The board shall develop a governance framework to ensure leadership of oversight of climate matters and shall oversee proper management of climate risks and opportunities to ensure entity sustainability and resilience.
- 2) The framework shall include:
 - a. Development and approval of a Climate Policy or Position Statement, clearly establishing bank and board commitment to addressing climate matters and which shall be available on the bank website;
 - b. Nomination of the bank board level ESGSC, comprised of independent, non-executive directors, as the board committee responsible for oversight of climate matters or a sub-committee of the ESGSC;
 - c. Responsibility for some specific climate matters to be also included in the RC and AC responsibilities as appropriate which shall liaise with the ESGSC or a sub-committee of the ESGSC on relevant matters;
 - d. Ensuring adequate board member skills in relation to climate change, including regular training and development on climate matters;
 - e. Development and inclusion of climate matters into bank policies and practices, bank governance, regular board deliberations, bank strategy and business model and operations.
- 3) The board approved policy on climate matters shall be recommended by the ESGSC and shall include as a minimum the following:

⁴ The IFC has considerable information on its website to support entities in establishment of quality governance of stakeholder engagement practices. These are available at <https://www.ifcbeyondthebalancesheet.org/about-the-toolkit/governance/stakeholder-engagement>

- a. Commitment of the bank and its board to key climate targets with associated metrics;
 - b. A roadmap of bank activities in relation to climate to achieve net zero emissions by 2050 with interim milestones;
 - c. Integration of climate risks and opportunities into the bank strategy, business model, financial plans and operations and into board decision-making. It shall include measures of adaptation for climate matters and mitigation of climate matters over the short, medium and long term;
 - d. Integration of climate matters into bank documents and frameworks where relevant, such as the Code of Conduct, Credit Assessment, Investment, Risk Management and Reporting policies and practices;
 - e. Integration of climate matters into management structures and responsibilities with a designated management leader and team responsible for climate matters;
 - f. Required processes by management for assessment and responses to climate-related risks and opportunities, including scenario analysis.
- 4) Management shall regularly report to the board on climate-related matters.

Article (28): Reporting on Governance of Climate Matters

- 1) The bank shall report annually on its climate-related policies, processes, and progress against targets and metrics in the Annual Report or in the separate Sustainability Report.
- 2) The report may be assured by an independent external auditor.
- 3) The assurance may be 'limited' assurance for the first three years reporting. After that 'reasonable' assurance is required⁵.
- 4) Reporting on climate-related matters shall be according to one or more of the internationally recognized climate reporting standards issued by the International Sustainability Standards Board of the IFRS Foundation (ISSB S1 and S2), the IFC E&S Performance Standards, or by the Global Reporting Initiative (GRI) standards. The standards used shall be identified as part of the report.
- 5) The report on climate-related matters⁶ shall include:

⁵ Reasonable assurance is in many ways the equivalent of an audit opinion over financial information. An audit opinion lets you know the financial statements have been prepared in the right way, that they are reasonably stated and are materially correct. Reasonable assurance work follows a similar methodology to an audit: gaining an understanding of the company and its culture, assessing and reviewing its controls, identifying risks, undertaking detailed testing – evaluating the evidence obtained and forming the assurance conclusion.

Limited assurance¹, on other hand, as the name suggests is not as comprehensive. It follows the same methods as reasonable assurance but because the level of assurance obtained is lower, the procedures the practitioner will perform will vary in nature and timing and will be less extensive. Source: Limited or Reasonable Assurance over ESG reports, KPMG, February 2024, accessible at <https://kpmg.com/xx/en/blogs/home/posts/2024/02/limited-vs-reasonable-assurance-over-esg.html>

⁶ An example of a report on climate-related information is a specific climate report produced in 2023 by Nedbank Group of South Africa as a supplement to its Annual Report. Nedbank has reported on ESG and climate information for 10 years.



- a. Three years history of data related to the target of net zero by 2050;
 - b. The international standards' framework/s applied in the report;
 - c. The bank climate policy and matters of focus for the bank, including regulatory requirements;
 - d. A discussion of bank processes for identifying, assessing, prioritizing and managing climate-related risks and opportunities. This shall include a discussion of the materiality of risks;
 - e. An explanation of bank climate-related governance, strategy, risks and opportunities and achievements on its roadmap journey to net zero emissions, including any climate-related information of bank subsidiaries.
-

The report is accessible at <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2024/2023%20Nedbank%20Group%20Climate%20Report%20.pdf>

Annex 1 - IFC Independent Director Indicative Criteria

“Independent Director” means a Director who has no direct or indirect material relationship with the Company other than membership on the Board and who:¹

- (a) is not, and has not been in the past five (5) years, employed by the Company or its Affiliates;
- (b) does not have, and has not had in the past five (5) years, a business relationship with the Company or its Affiliates (either directly or as a partner, shareholder (other than to the extent to which shares are held by such Director pursuant to a requirement of Applicable Law in the Country relating to directors generally), and is not a director, officer or senior employee of a Person that has or had such a relationship);
- (c) is not affiliated with any non-profit organization that receives significant funding from the Company or its Affiliates;
- (d) does not receive and has not received in the past five (5) years, any additional remuneration from the Company or its Affiliates other than his or her director’s fee and such director’s fee does not constitute a significant portion of his or her annual income;
- (e) does not participate in any pension [scheme]/[plan] of the Company or any of its Affiliates;
- (f) is not employed as an executive officer of another company where any of the Company’s executives serve on that company’s board of directors;
- (g) is not, nor has been at any time during the past five (5) years, affiliated with or employed by a present or former auditor of the Company or any of its Affiliates;
- (h) does not hold a material interest in the Company or its Affiliates (either directly or as a partner, shareholder, director, officer or senior employee of a Person that holds such an interest);
- (i) is not a member of the immediate family (and is not the executor, administrator or personal representative of any such Person who is deceased or legally incompetent) of any individual who would not meet any of the tests set out in (a) to (h) (were he or she a director of the Company);
- (j) is identified in the annual report of the Company distributed to the shareholders of the Company as an independent director; and
- (k) has not served on the Board for more than [ten (10)] years.²

For purposes of this definition, “material interest” shall mean a direct or indirect ownership of voting shares representing at least [two percent (2%)]³ of the outstanding voting power or equity of the Company or any of its Affiliates.

¹ Some jurisdictions have legal definitions for independent directors which may or may not be as stringent as the IFC’s definition. If such a definition exists, consult with the IFC Corporate Governance Unit as to whether such definition would be appropriate. If, for a particular reason, the Investment Department intends that the IFC Nominee Director be deemed to be an Independent Director, consult with the IFC Corporate Governance Unit.

² Depending on the availability of qualified independent directors in a particular country, the term could be shortened to seven (7) years. Consult with the Corporate Governance Unit if this is an issue.

³ Consult with local counsel as to the relevant percentage, if any, specified by local law (which may apply to publicly listed or unlisted companies, or both). For example, in the United Kingdom, a shareholder is treated as having a material (disclosable) interest in a publicly listed company if it holds 3% of the shares; in the United States, the equivalent threshold is 5%.

Annex 2 – CBI Sustainability Principles

S N	Principles	Provisions
1	Business Activities: Management of Banking and Environmental Risk	Merge the social and environmental considerations in the decision-making process with regards to the Bank activities to avoid, mitigate, or compensate the adverse effects.
2	Commercial Processes: Environment and Social Print	Avoid, mitigate, or compensate the adverse effects of the Bank processes on the local and environmental communities in which they work and as much as possible to boost the positive effects.
3	Human Rights	Respect human rights in all the processes and activities of the Bank.
4	Women Economic Enablement	Enhance the economic enablement for women through the work place culture so as to include both males and females in the Bank operations and seeking to find new products and services specially designed for women through the commercial activities.
5	Financial Inclusion	Seeking to provide financial services for individuals and communities, which are traditional, with limited reach or cannot reach to the official financial sector.
6	Governance	Applying strong and transparent governance practices in the Bank.
7	Building Capacities	Develop the individual and sector corporates necessary to specify the social and environment risk management, the business-related opportunities and the commercial processes.
8	Cooperative Partnerships	Cooperating with all sectors and making use of the international partnerships to pace up the social progress and enhance the sector as a one whole to ensure the corporate vision matches the international standards and the requirements of local development.
9	Reports	Regularly previewing and reviewing the reports on progress to meet the principles hereof at the individually and all over the entire sector.

Annex 3 Model Terms of Reference for a Sustainability or ESG Board Committee

Note: The topics set out below are excerpts from a larger document. Those topics under ‘Remit’ and ‘Duties’ are those which a sustainability or ESG committee should consider. Companies may wish to modify this list to reflect the specific issues most closely associated with, or material to, their individual business. Companies should avoid overlap if these topics are covered by an alternative committee.

Remit⁷

	ESG: Environmental, Social and Governance
Environment	<i>The company’s impact on the natural environment and the environment’s impact on the company, including climate change impacts, direct impacts (the company’s own activities) and indirect impacts (throughout its value chain, including suppliers and customers or investments)</i>
	Greenhouse gas emissions
	Energy consumption
	Waste management and pollution
	Resource use (including chemicals and plastics), and circularity
	Land and water management and use (including deforestation)
	Biodiversity and nature loss
	Targets and disclosures
	Transition planning
Social	<i>Interactions with, responsibilities towards, and impact on stakeholders</i>
	Workforce: safety, physical and mental wellbeing, workplace policies such as whistleblowing, diversity and inclusion initiatives, fair pay (including gender / ethnic pay gap reporting), professional development, company culture
	Customers: fair competition, consumer duties
	Suppliers: ethical procurement, modern slavery risk, human rights violations
	Communities: social or community projects and partnerships, charitable giving
Governance	<i>Compliant and ethical conduct of the company’s business, in line with its purpose and enabled through effective decision-making</i>
	Corporate governance framework and relevant Governance Codes
	Effective integration of ESG into company’s strategy and operations
	Compliance policies, codes of conduct

	Management of bribery, corruption and money laundering risk
	Data privacy and security
	Transparency and assurance of reporting
	Supply chain controls and management
	Application of company's values, culture and purpose
	Stewardship and proxy voting policies

1. As ESG is a very broad area, companies may choose to include here a list of specific topics which fall under the committee's remit. This list is not exhaustive. It should be modified, added to and tailored according to which areas are most relevant to the company's business and needs. It will also evolve over time as the business changes and as ESG regulation and expectations shift. FRC Guidance 2024, paragraph 144, states that: 'the committee may wish to define what environment, social and governance responsibilities may fall under this committee in terms of reference.'

Duties of ESG/Sustainability Committee of the Board

[The committee should carry out the duties below for the parent company, major subsidiary undertakings, and the group as a whole, as appropriate.]

The committee shall

ESG strategy or framework

8.1 Oversee the development of, advise the board regarding, and recommend for approval by the board, the company's ESG strategy. Ensure that this strategy is effective, aligned with prevailing regulations and good practice, and integrated with the company's business plan, values and objectives, in order to support the company's long-term sustainable success.

8.2 Oversee the execution of the ESG strategy and approve implementation projects developed in response to the strategy. Review the effectiveness of the teams, governance and processes in place to ensure the outcomes of the ESG strategy are delivered. Advise on the risks and opportunities for the company's operations and reputation in relation to the execution of its ESG strategy.

Goals and metrics

8.3 Advise on, and recommend for approval by the board, appropriate ESG strategic goals, short- and long-term [science-based] targets, and key ESG metrics. Monitor annual and long-term progress against previously set ESG objectives, including compliance with public commitments on ESG issues. Oversee the ongoing measurement and reporting of performance against key ESG metrics.

Reporting

8.4 Review the content, integrity and completeness of external statements and disclosures about ESG activity, targets and progress.²⁵ Review ESG-related reporting prior to board approval, including the annual sustainability report (where one exists), information to be included in the annual report, and mandatory or voluntary disclosures in line with recommended practice and regulatory

requirements.²⁶ Evaluate the extent and effectiveness of external reporting on ESG performance and participation in external benchmarking indices.

8.5 [Review regularly the requirement for [internal and] external assurance of ESG-related matters, and as necessary, appoint external parties to provide assurance on relevant reporting.] [Review and approve the qualifications, independence, engagement, compensation and performance of the external party chosen to provide assurance on such reporting.]²⁷

Horizon scanning

8.6 Identify current and emerging ESG-related issues, standards, good practice, and regulatory or legislative developments, at the sectoral, national and international level. This includes sourcing or undertaking relevant training and development opportunities, both for the committee members and for company employees as appropriate. Evaluate which issues and developments are likely to impact the company's strategy, operations and reputation. Determine, therefore, whether and how these should be reflected in the company's ESG objectives, policies and reporting.

Policies and procedures

8.7 Monitor the establishment of appropriate ESG-related policies, procedures for incident reporting, codes of practice, and standards of business conduct. Where these exist, review their adequacy and ongoing relevance and effectiveness. Where necessary, ensure they are updated to remain in compliance with relevant national and international standards. [Review any serious incidents which breach the company's ESG-related policies, codes, standards and procedures.]

Social issues

8.8 Oversee the company's interactions with and responsibilities towards its stakeholders in relation to ESG-issues, most notably its employees, customers, suppliers, and the communities in which it operates. Support the board in monitoring the culture of the company, the safety and wellbeing of its workforce, and the adequacy of its supply chain controls in relation to human rights risk.²⁸

Risk

8.9 [Advise the board on the company's appetite and tolerance with respect to environmental and social risk. Identify material ESG-related risks and ensure that these are appropriately captured in the company's risk profile and risk management framework.]²⁹. ESG matters are appropriately considered when setting the overall remuneration policy.]³¹

Collaboration with other committees

8.10 Work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly.³⁰ This may include:

[

8.10.1 Work in conjunction with the remuneration committee regarding appropriate ESG-related performance objectives and incentives for executive leaders, to ensure that ESG matters are appropriately considered when setting the overall remuneration policy]³¹

8.10.2 Work in conjunction with the audit committee to review regularly the requirement for [internal and] external assurance of ESG-related matters. Monitor the role and effectiveness of the internal audit function with regards to assurance on ESG-related disclosures. As necessary, appoint external parties to provide assurance on relevant reporting.]³²

[8.10.3 Work in conjunction with the [audit] [risk] committee to advise the board on the company's appetite and tolerance with respect to environmental and social risk, to identify material ESG-related risks and to ensure these are appropriately captured in the company's risk profile and risk management framework.]³³

[8.10.4 Work in conjunction with the nomination committee to support the oversight of a diverse pipeline for appointments at board level.]³⁴

Resourcing ESG projects

8.11 [Make recommendations to the board in relation to the required resourcing and funding of ESG-related activities, and on behalf of the board, oversee the deployment and control of any resources and funds.]³⁵

²⁴ FRC Guidance 2024, paragraph 142

²⁵ FRC Guidance 2024, paragraph 142

²⁶ Some or all of the oversight of reporting may (also) fall to the audit committee. Roles should be clearly defined to avoid duplication of work.

²⁷ FRC Guidance 2024, paragraph 147. Where assurance is necessary, a company may choose for the sustainability or ESG committee to oversee the assurance (internal and external) of ESG-related reporting, or it may choose for this to be the responsibility of the audit committee. Whichever option is chosen, the committees should collaborate to align their work and to ensure ESG-related reporting is adequately assured, as is detailed in 8.10.

²⁸ Certain companies choose to reserve diversity, equality and inclusion as a matter for the full board. The full board has ultimate responsibility for company culture under Code Principle B and Provision 2.

²⁹ A company may choose for the sustainability or ESG committee to oversee risks related to ESG matters, or it may choose for this to be the responsibility of another committee, such as the audit or risk committee. Whichever option is chosen, the committees should collaborate to align their work and to ensure ESG-related risks are fully understood and appropriately managed, as is detailed in 8.10.

³⁰ FRC Guidance 2024, paragraphs 90 and 148

³¹ FRC Guidance 2024, paragraphs 145 and 148

³² FRC Guidance 2024, paragraphs 147 and 148

³³ Whether this is appropriate depends on the remit of the audit or risk committee.

³⁴ Code Provision 17 relates to the nomination committee's responsibility for this. In some cases, it may be beneficial for the sustainability or ESG committee to support with this work.

³⁵ Certain companies choose to include such a clause in their terms of reference, whilst others do not. This largely depends on the extent of a company's ESG programmes and on the degree of delegation from the board.

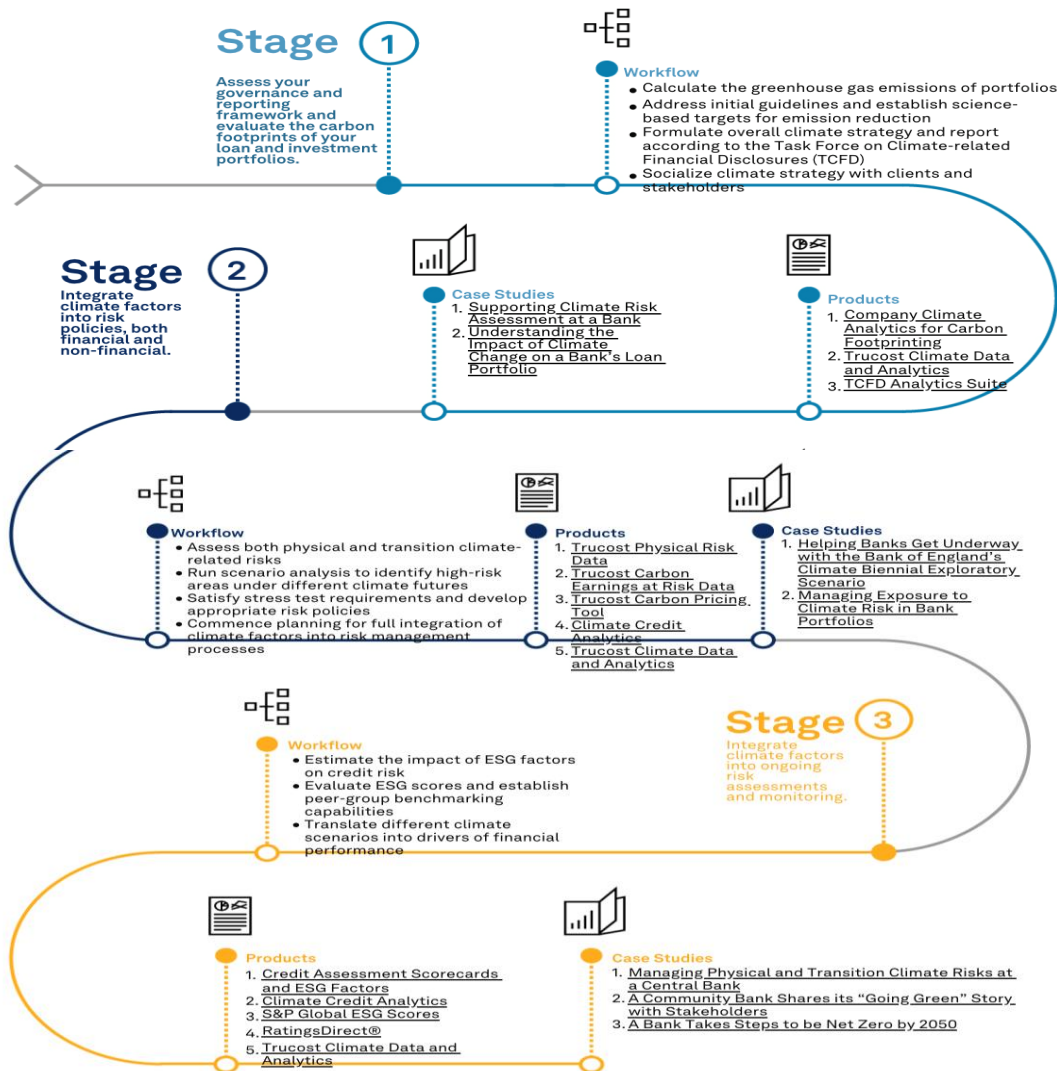
Source: Excerpt from Corporate Governance Institute of UK and Ireland, Model Terms of Reference for a Sustainability or ESG Committee, Guidance Note, January 2024, accessed at <https://www.cgi.org.uk/knowledge/resources/terms-of-reference-for-the-sustainability-or-esg-committee>

Annex 4 - S&P Global 500 – E&S Stages of Implementation for Banks

S&P Global
Market Intelligence

Driving Value Creation through Climate Integration: Three Vital Stages for Every Bank

As the world starts to look to a more sustainable future, embedding and adopting climate factors into bank strategies has never been more important. With the continued drive towards a low-carbon economy, plus the pressure from regulators and policymakers for disclosure and reporting, the most competitive banks are already moving to establish leadership positions. In order to achieve long-term value creation through climate integration, there are three key stages that every bank should consider. View our infographic below that outlines how banks can adopt successful climate risk integration.



Source: Infographic
https://pages.marketintelligence.spglobal.com/Banks-Climate-Risk-Infographic.html?utm_medium=cpc&utm_source=google&utm_campaign=Sustainability_ESG_Search_Google&utm_term=banking&esg&utm_content=617099659643&gclid=CjwKCAjwqmwBhBVEiwAL-WAYV1vMUTcDUaQRGsJI781zYCQ75QC1DxdT3T82ANbzoD5XPwMrkYuphoCSkAQAvD_BwE

Annex 5a – Contents of a Typical Board Charter

Typical matters covered by a board charter includes the following:

- role of the board;
- role of the CEO;
- role of the chair;
- role of the company secretary;
- board responsibilities;
- board membership;
- independence and composition;
- board committee charters (Audit Committee charter; Risk Committee charter; Nomination and Remuneration Committee charter; Corporate Governance Committee charter);
- board and board committee meetings processes;
- conflicts management;
- access to management and independent advice;
- induction and continuing training;
- performance review.

Source: Adapted from ASX Corporate Governance Council Guidance as stated in the AICD Director Tools - Board Charters (2020) accessed at <https://www.aicd.com.au/content/dam/aicd/pdf/tools-resources/director-tools/organisation/board-charters-director-tool.pdf>

Annex 5b – Contents of a Typical Board Committee Charter

Typical matters covered by a board committee charter includes the following:

- the committee's purpose, responsibilities and duties
- the authority of the committee including delegations by the board
- committee structure, terms of appointment for the chair and members
- meeting requirements and procedures (frequency quorum, voting, minutes)
- access to bank personnel and to external advisors
- members' skills, experience requirements
- board reporting requirements
- committee evaluation process.

Source: Adapted from The Directors Toolkit, KPMG 2022, accessed at <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2022/directors-toolkit-2022.pdf>

Annex 6 - Board Skills Matrix Examples

There are several ways in which a board skills matrix may be depicted. Below are two different high-quality examples.

Example 1: Deutsche Bank AG

A well-qualified board with diverse professional competencies and in-depth customer expertise



		Alex Wynaendts	Susanne Bleidt	Mayree Clark	Jan Duscheck	Manja Eifert	Claudia Fleber	Sigmar Gabriel	Timo Heider	Birgit Laumen	Frank Schulze	Gerlinde Siebert	Yngve Slyngstad	Stephan Szukalski	John Thain	Jürgen Tögel	Michele Trogni	Dr. Dagmar Valcárcel	Dr. Theodor Weimer	Prof. Dr. Norbert Winkeljohann	Frank Witter		
Professional Expertise	General fields of expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	Accounting and reporting, incl. sustainability reporting	✓	✓	✓								✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	Audit Committee Financial Experts ⁶	◆																	◆	◆	◆	◆	
	Expertise in the area of accounting ⁷	◆																		◆	◆	◆	◆
	Expertise in the area of auditing ⁷	◆																		◆	◆	◆	◆
	Regulatory framework and Legal requirements	✓		✓				✓	✓		✓	✓			✓	✓	✓		✓	✓	✓	✓	
	Human Capital, Compensation and Corporate Culture	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Compensation Control Committee Compensation Experts ⁸	◆																		◆		◆	
	Risk Management	✓		✓	✓		✓	✓					✓	✓	✓	✓		✓	✓	✓	✓	✓	
	Information Technology, Data and Digitalization	✓	✓	✓	✓							✓	✓	✓		✓		✓		✓			
	Strategy, Transformation and ESG	✓		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Organisational structure and control of a financial institution	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Client/business Expertise	Private Banking and Wealth Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		
	Corporate Banking	✓				✓	✓				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		
	Investment Banking	✓		✓									✓	✓		✓		✓	✓		✓		
	Asset Management	✓		✓										✓		✓			✓	✓			

*Footnotes & Glossary on p.4












✓ Profound and professional knowledge / expert
◆ Regulatory required experts / expertise




Source: Deutsche Bank AG accessed at https://investor-relations.db.com/files/documents/supervisory-board-matrix-of-skills.pdf?language_id=1

Example 2: Commonwealth Bank of Australia

Board Skills Matrix

The Board Skills Matrix is set out below. It sets out the skills and experience considered essential to the effectiveness of the Board and its Committees. The Matrix is reviewed annually by the Nominations Committee to ensure the prescribed skills and experience address the Bank's existing and emerging strategic, business and governance issues. The Matrix is also used to guide the identification of potential director candidates as part of the ongoing Board renewal process.

Skills and experience		Relevance to Group
Leadership 	Held senior leadership role such as CEO or similar position in an organisation of significant size or complexity.	Setting strategy and evaluating the performance of senior leaders.
Financial services 	Experience in the financial services sector and regulation, including retail and commercial banking services and adjacent sectors.	Appreciation of the operational landscape, opportunities and challenges in the sector.
Financial acumen 	Proficiency in financial accounting and reporting, capital management and/or actuarial experience.	Assessing complex financial and capital management initiatives.
Strategy and global perspective 	Experience in leading, developing or executing strategic business objectives, including bringing to bear a global perspective.	Reviewing and setting the organisational strategy in a global context.
Governance 	Experience as a Non-Executive Director of a listed entity (Australia or overseas) and/or understanding of legal and regulatory frameworks underpinning corporate governance principles.	Understanding local and offshore legal and regulatory frameworks to effectively perform the role of Director.
Risk management 	Experience in identifying, assessing and monitoring systemic, existing and emerging financial and non-financial risks.	Monitoring risk appetite, assessing the overall risk profile and adapting to emerging trends.
Digital and technology 	Experience in technology, use of data and analytics, digital transformation and innovation and their impacts on customer experience and cyber security and other technology risks.	Supporting the Bank's digital strategy.
Enhanced customer outcomes 	Understanding of the changing needs of customers with a focus on improving their financial wellbeing and enhancing their experience.	Providing constructive challenge to ensure customer needs are met.
Stakeholder engagement 	Experience in building and maintaining trusted and collaborative relationships with governments, regulators and/or community partners.	Ensuring an effective engagement program with regulators and other stakeholders is in place.
People and culture 	Understanding organisational culture, succession planning, and remuneration and reward frameworks.	Overseeing the culture of the Group and upholding the Code of Conduct.
Environment and social 	Understanding the potential risks and opportunities from an environmental and social perspective.	Influencing sustainable practices, policies and decisions that support environmental and social outcomes.

 High competency, knowledge and experience  Practised/direct experience  Awareness

Individual skills matrices have also been developed for each of the Board Committees.

Source: Commonwealth of Australia, Corporate Governance Report 2023

<https://www.commbank.com.au/content/dam/commbank-assets/investors/docs/results/fy23/Corporate-Governance-Statement-2023.pdf>

ANNEX 7 - ANNUAL BOARD CALENDAR TEMPLATE

An Annual Calendar is a schedule of all the functions and tasks the board and its committees must perform during the year. It enables directors to set aside time early in the year for board and board committee activities.

Activity	Jan	Feb	Mar	Apr	May	Jun etc
Meeting Schedule						
Board Meetings						
(Name) Committee Meetings						
(Name) Committee Meetings						
Strategy Development						
Planning workshop / develop strategy						
Risk appetite workshop						
Approve/review strategic plans						
Approve/review business plans						
Develop budgets						
Approve budgets						
Strategy Implementation						
Business Function 1						
Business Function 2						
Business Function 3						
Business Function 4 etc						
CEO Oversight						
Finalize /review contract						
Approve KPIs						
Assess performance mid-year						
Assess performance end-year						
Review remuneration						
Review CEO succession planning						
Review senior management with CEO						
Accountability						
Financial Reports						



• Approve 1/2 year						
• Full year results management						
• Review near final audited financial statements						
• Approve full year						
Full year results commentary						
Approve full year forecast						
Annual Report						
• Themes/Concepts/drafts						
• Approved						
Monitoring and Supervision						
Review CEO report format						
Review board reporting requirements						
Whole of business risk review						
Policy Making and Review						
Review board charter						
Review remuneration policy						
Review risk management policy						
Review delegated financial authority						
Review compliance policy						
Review Conflicts of interest policy and issues						
Review code of conduct						
Review communications policy						
Review sustainability policy						
Review stakeholder engagement policy						
Review Whistleblower policy						
Corporate Governance						
Review board performance and board succession						
Meeting with members of the director selection committee						
Review committee meeting schedule						
Review committee charters (TOR and composition)						
• (Name) Committee						



• (Name) Committee						
Meetings without management						
Culture report						
Audit report						
OH&S report						
HR report						
ICT report						
Environmental report						
Risk Management report						
Legal report						
Business Continuity planning						
Operations Reviews						
Operations reviews						
Significant projects reviews						
Corporate growth opportunities						
Stakeholder Communication						
Approval of AGM notice and documentation						
Reports to shareholders						
AGM						
Meetings with shareholders						
Other key stakeholder meetings/events						

Source: Adapted from Effective Governance Boardroom Tools, accessed at <https://www.effectivegovernance.com.au/content/Document/Templates/eG-Board-Calendar-Template-2016.pdf>

Annex 8 – Example - Director Nomination Process

The nomination process for a typical director appointment is led in the first instance by the Nomination and Remuneration Committee which shall make recommendations to the board. The board shall then make recommendations to shareholders for director election/re-election.

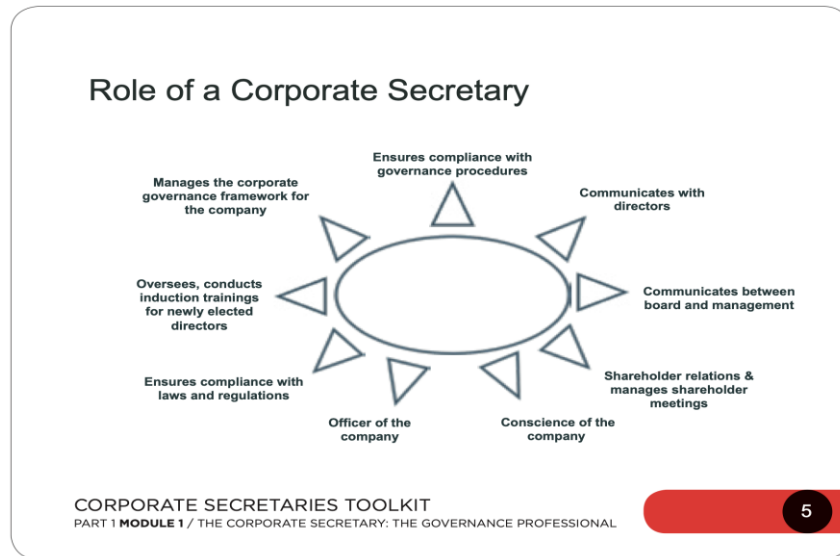
A process should include the following:

1. Review the current board size, composition, skills and experience, independence, diversity, director performance from most recent board/director evaluation, terms of office, normal and expected retirements and resignations.
2. Identification of current skills gaps in the current board, excluding skills of directors retiring or resigning.
3. Review bank strategies and likely future board skills needs and to fill current skills gaps.
4. Determine the specifications for the director search process and gain board approval for the director search specifications.
5. Determine the director search process which shall include seeking nominations from the current board and determine if the bank will use a third-party search firm. The process shall include each step and a timeline for completion and shall be approved by the board.
6. Present an array of talent to the board with statements concerning the candidates' skills, styles, potential fit with the current board. Personal qualities, attitudes and behaviors, individual skills and experience and fit with the bank culture shall be considered. Short list 2-3 candidates.
7. Check all shortlisted candidate references and arrange meetings with the Chairman and various board members and determine how the candidates make decisions, handle disagreements, share information.
8. Keep constant communications with potential candidates.
9. Make recommendation to the board for selected director/s who in turn will make the recommendation to shareholders for election.
10. Ensure a quality induction program is in place and implemented after election.

Source: Author

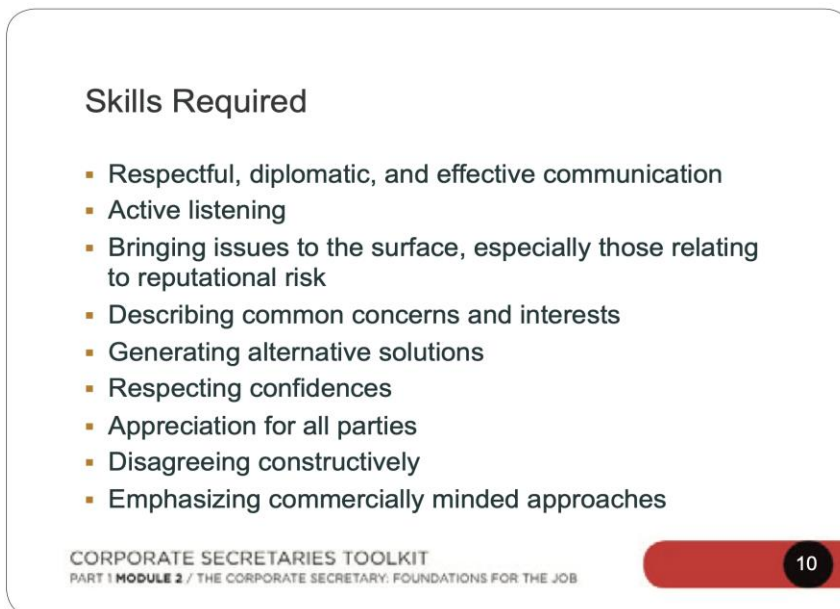
Annex 9 – Company Secretary Role and Qualifications

9.1 Role of Corporate Secretaries



9.2 Qualifications and Skills of Corporate Secretaries

Some countries have requirements in law, regulations, standards, or codes for the qualifications of those carrying out the role of corporate secretary. These include members of professional bodies such as ICSA (Institute of Chartered Secretaries and Administrators), the global professional body for corporate secretaries, lawyers, and accountants.



Source: International Finance Corporation, 2016, The Corporate Secretary-The Governance Professional, accessible at <https://www.ifc.org/content/dam/ifc/doc/mgrt/cg-cosec-june-2016.pdf>

Annex 10: Annual Report Model Disclosures and Website Disclosures

A full analysis of the contents of an Annual Report with examples is available from the International Finance Corporation in Beyond the Balance Sheet Resources. The Annual Report detail is accessible at <https://www.ifcbeyondthebalancesheet.org/about-the-toolkit/model-structure-annual-report>

The Annual Report

1. The Annual Report should be a major vehicle for reporting financial and non-financial information, including on governance and on environmental and social issues, strategic achievements, performance of the entity and relations with shareholders and stakeholders.
2. The Annual Report should cover the activities and results of the entity itself and any entity in which it holds a controlling interest.
3. The board shall ensure management has good internal planning and processes for the development of the Annual Report and for the maintenance of information on the entity website.
4. The Annual Report and previous Annual Reports should be publicly available on the entity website and available in local language and English.
5. Previous sections of this Code have pointed to specific disclosures which should be made in the Annual Report also.

Table 1.1: Model Structure of an Annual Report

STRATEGY	
STRATEGY	<p>Business Model</p> <ul style="list-style-type: none"> • Products and services • Customers • Business processes • Relationships, resources, and inputs <p>Business Environment</p> <ul style="list-style-type: none"> • Markets • External environment • Internal drivers <p>Strategic Objectives</p> <ul style="list-style-type: none"> • Major plans and initiatives; financing needs • Target setting • Use of KPIs for target setting
RISK	<p>Risk Analysis</p> <ul style="list-style-type: none"> • Risk factors • Sustainability risks <p>Risk Response and Mitigation</p>
SUSTAINABILITY	<p>Assessing Sustainability Opportunities and Risks</p> <ul style="list-style-type: none"> • Opportunities identification process • Risks identification process <p>Management of Sustainability Opportunities and Risks</p> <ul style="list-style-type: none"> • Core issues • Industry- and context-specific issues • Contribution to economic and social development

CORPORATE GOVERNANCE

COMMITMENT TO ESG	Description of ESG Codes and Policies Compliance with ESG Codes and Policies
BOARD STRUCTURE AND FUNCTIONING	<p>Nomination and Appointment</p> <ul style="list-style-type: none"> • Board member tenure • Rights of shareholders and other stakeholders • Role of nomination committee (optional) <p>Qualification</p> <ul style="list-style-type: none"> • Background (work, education); link with board role and company strategy • Sustainability expertise (aggregate and individual) <p>Independence</p> <ul style="list-style-type: none"> • Executive versus non-executive versus independent directors • Links between company and non-independent directors • Balance of power: independence of board chair; role of independent board members <p>Diversity</p> <ul style="list-style-type: none"> • Gender • Ethnicity • Age
BOARD WORK AND COMMITTEES	<p>Work of Boards</p> <ul style="list-style-type: none"> • Main activities and responsibilities • Role of board versus management <p>Committees</p> <ul style="list-style-type: none"> • Committee mandates and work (types, roles) • Composition, qualification (aggregate), and independence <p>Board Evaluation</p> <p>Governance of Sustainability</p>
TREATMENT OF MINORITY SHAREHOLDERS	<p>Rights of Minority Shareholders</p> <ul style="list-style-type: none"> • Board nomination and other minority shareholder rights • Change of control <p>Remuneration</p> <ul style="list-style-type: none"> • Remuneration policy • Actual remuneration <p>Related-Party Transactions (RPTs)</p> <ul style="list-style-type: none"> • Policy and management process • Details on RPTs
GOVERNANCE OF STAKEHOLDER ENGAGEMENT	<p>Commitment, Policy, and Strategy</p> <p>Stakeholder Identification</p> <p>Management and Governance</p> <p>External Communication and Grievance Mechanisms</p>



FINANCIAL POSITION AND PERFORMANCE

PERFORMANCE REPORT

Discussion of Financial and Sustainability Performance

- Financial results
- Financing needs
- Investments and initiatives
- Intangibles
- Material changes or trends
- Forward-looking information
- Sustainability performance

Key Performance Indicators

- Financial
- Operational
- Sustainability

FINANCIAL STATEMENTS

Financial Statements

- Statements of income
- Balance sheet
- Statement of cash flows
- Statement of change in stockholders' equity
- Notes to financial statements

Statement of Audited Financial Results

Segment Report

Results per Share, Dividends, and Tax Disclosures

SUSTAINABILITY STATEMENTS

Core Issues

Industry- and Context-Specific Issues

Contribution to Economic and Social Development

Other bank Annual Reports should be reviewed to better understand the requirements for the Annual Report. Some examples for review are:

- ABSA Group Limited 2023 Integrated Annual Report - <https://www.absa.africa/wp-content/uploads/2024/04/Absa-Group-Limited-Integrated-Report.pdf>
- CIMB Group Holdings Berhad 2023 Annual Integrated Report - <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2023/cimb-integrated-report-2023.pdf>
- Barclays Bank PLC 2023 Annual Report - <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2023/Barclays-PLC-Annual-Report-2023.pdf>
- SNB Saudi National Bank 2022 Annual Report - <https://www.alahli.com/en-us/about-us/Documents/SNB-Annual-Report-2022-English-Revised-26-3-23-Single.pdf>

Annex 10. Continued

The Website

1. The entity website should provide current information to the public. It should contain all information required to be disclosed and other relevant information. Materials that may be of major interest to investors should be searchable and downloadable.
2. It is recommended that the following items should be considered for inclusion on an entity's website:
 - Annual Report and Audited Financial Statements
 - Interim financial reports and presentations to investors
 - Investor Relations contacts: names, email contacts and phone numbers
 - Sustainability Reports (if separate from Annual Report)
 - Board charter and board committee charters
 - Code of Conduct/Ethics
 - Conflicts of Interests policy
 - Related-Party Transactions (RPTs) policy
 - Director Declarations of Interests policy
 - Delegations of Authority policy
 - Details of the Board/governance structure
 - Names and profiles of directors, including qualifications, experience, type of director (independent, non-executive or executive director), membership of board sub-committees and other board positions held)
 - Organizational structure, including business unit structure
 - Position descriptions of key governance and management positions
 - Details of the Internal Audit Function (structure and key personnel)
 - Details of Risk Management function (structure and key personnel)
 - Details of the entity's grievance mechanism for stakeholders and contacts
 - Financial highlights
 - Dividend policy and declarations
 - Notice of Annual General Meeting of Shareholders/Special Meeting of Shareholders
 - Investor presentations (if applicable)
 - Announcements made to the market (if applicable)
 - Other news items from the bank or from the media
 - Updated share price (if applicable)
 - Webcasts (if applicable)

Annex 11- Reporting on the Governance of Stakeholders

The IFC Beyond the Balance Sheet Toolkit has detailed information on stakeholders, stakeholder engagement and on the reporting on stakeholder relations.

Reporting Elements for the Governance of Stakeholder Engagement

01 Commitment, Policy, and Strategy

Describe the policy and strategy for stakeholder engagement at the board and management levels, including identification, approach for priority groups, and grievance mechanisms.

02 Governance and Management

Describe the board's oversight role in considering stakeholder interests when making decisions on effectiveness of stakeholder engagement, including dialogues and grievance mechanisms.

03 Stakeholder Identification

Describe constituencies identified as key company stakeholders and the process of identifying material stakeholders.

04 Communication and Grievance

Describe mechanisms to ensure that stakeholders receive relevant information to address their interests and concerns and to respond to stakeholders' complaints, including grievance and whistleblowing mechanisms for external and internal stakeholders.

Learn more: [IFC's Corporate Governance Matrix – Governance of Stakeholder Engagement](#)

Source: IFC Beyond the Balance Sheet Toolkit assessed at <https://www.ifcbeyondthebalancesheet.org/about-the-toolkit/governance/stakeholder-engagement>



Central Bank of Iraq

2024

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