



Guide Corporate Governance for Banks

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Introduction

To keep pace with international developments and enhance the corporate governance system to implement best practices in the banking sector, the Central Bank of Iraq has been keen to establish and implement corporate governance principles by introducing structural, legislative, and supervisory developments aimed at reducing the risks to which the banking sector may be exposed. Investors tend to deal with banks that have sound governance structures. Governance aims to define the nature of the relationship between the bank's board of directors and executive management, thus protecting the funds of depositors, shareholders, and stakeholders, as well as focusing on disclosure and transparency. From this perspective, this guide has been prepared in accordance with internationally recognized best practices and based on relevant Iraqi laws and international standards issued by international institutions and bodies (the International Finance Corporation (IFC), the Organization for Economic Co-operation and Development (OECD), the Basel Committee on Banking Supervision, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the Islamic Financial Services Board (IFSB). This guide helps banks strengthen their general frameworks for governance and good management, as well as assist board members. The executive management oversees and monitors the bank's activities and operations, ensuring the protection of the rights of depositors, shareholders, and stakeholders.

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Table 1: Abbreviations and terms

Term	Abbreviations
Bank	Central Bank of Iraq
Bank	Banks licensed by the Central Bank of Iraq, including commercial and Islamic banks.
Board	Bank Board of Directors
General Assembly / Extraordinary General Assembly	General Assembly of Shareholders
Sharia Board	Shari'ah Supervisory Board of an Islamic Bank
Bank Capital	Pay-up Capital
Office (AML)	Anti-Money Laundering and Terrorist Financing Office
IFC	International Finance Corporation
OECD	Organization for Economic Co-operation and Development
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
IFSB	Islamic Financial Services Board
Corporate Governance of Banks	<p>It is a comprehensive set of regulations that define the relationships between the board of directors, the bank's executive management, shareholders, and other stakeholders. Governance addresses the system by which the board of directors directs and monitors the bank's activities, which impacts:</p> <ul style="list-style-type: none"> • Determining the bank's strategy • Managing the bank's risk profile • The bank's business and activities • Balancing the commitment to responsibility towards shareholders, protecting the interests of depositors, and taking into account the interests of other stakeholders • The bank's compliance with applicable laws, regulations, and controls • Disclosure and transparency practices
Suitability	Providing the minimum requirements for members of the bank's board of directors, the Sharia Supervisory Board of the Islamic bank, and members of the executive management.
Executive Management	High-level employees, as stipulated in Article 1 of Banking Law No. 94 of 2004, and in accordance with the instructions of the Central Bank of Iraq and the bank's organizational structure.
Stakeholders	Any stakeholder in the bank, such as depositors, shareholders, employees, creditors, clients, customers, relevant regulatory bodies, and government authorities.



Qualifying Holding

Any natural or legal person or associated group who intends to contribute to the bank's capital in a percentage exceeding 10% of the bank's subscribed capital. The Central Bank must be notified of this acquisition at least 10 days in advance in order to obtain the bank's approval before carrying out the acquisition, whether by an individual or an associated group.

All persons listed below:

Related person

- A relevant person under Article 1 of Banking Law No. 94 of 2004
- The managing director or his assistant after two years of service
- The external auditor for the duration of his service and two years after the end of his contract with the bank
- Any natural or legal person with a contractual relationship with the bank during the term of the contract

Related Group

A group of individuals or companies with kinship ties or influential economic interests.

Independent Member

A board member who enjoys complete independence from management and the bank. Independence means having the ability to make impartial judgments after taking into account all relevant information, without any influence from management or other external parties.

Executive Member

A board member who is a member of the bank's executive management and participates in its executive management, receiving a monthly salary in return.

Non-Executive Member

A board member who is, but is not limited to, a related party, providing technical advice and opinions. He/she does not participate in any way in the management or daily operations of the bank, nor does he/she receive a monthly salary.

Cumulative Voting

A voting method for selecting board members during the general assembly meeting. Each shareholder has a number of votes equal to the number of shares he/she owns. He/she may vote all of them for a single candidate for board membership, or distribute them among the candidates he/she chooses, without duplication of these votes. The main objective of this method is to increase the chances of minority shareholders being represented on the board of directors through cumulative votes, as well as to limit the control of a particular shareholder over board seats.



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Section One - General Framework of the Guide

Article 1: Scope of Application

- This guide shall be mandatory for all banks operating in Iraq from the date of its issuance.
- Branches of foreign banks are exempt from all articles pertaining to the board of directors and committees.

Article 2: The Bank's Corporate Governance Guide

Given the importance of corporate governance and in application of international standards and best practices, banks must do the following:

- The bank shall form a committee emanating from the board, called the "Corporate Governance Committee," as mentioned in the section on committees.
- The committee shall prepare a governance guide for the bank, approved by the board of directors and consistent with the minimum requirements of the governance guide issued by the bank.
- The bank shall publish its governance guide on its website and ensure that all employees and board members review it.
- The bank may cooperate with consulting bodies to obtain advice and assistance in developing new requirements in this guide in accordance with best practices in the field of governance.



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Section Two - Board of Directors

Article 3: Board Formation

- The members of the Board of Directors shall be elected at the General Assembly meeting for a term not exceeding four years, subject to the approval of the Bank. A member may be re-elected for a maximum of two terms.
- The Board shall consist of at least seven members, elected at the General Assembly meeting according to the cumulative voting system. The number of independent members shall not be less than four members, or one-third of the Board members, with one member representing the minority shareholders, who may be an independent member.
- The Board shall elect from among its members a Chairman and a Vice Chairman.
- The Vice Chairman shall assume the duties of the Chairman in the absence of the Chairman or in the event of his/her inability to chair the Board meeting.
- It is preferable that at least one member of the Board be a woman.

Article 4: Board Member Qualifications and Independence

1. Selection of a Board Member

- 1.1. Fulfilling the legal requirements stipulated in Banking Law No. 94 of 2004 and Companies Law No. 21 of 1997 and its amendments.
- 1.2. Two-thirds of the Board of Directors members must have qualifications, undergraduate university degrees, and banking experience.
- 1.3. They must not be a member of the Board of Directors of any other bank within Iraq, or an authorized manager, regional manager, or employee thereof, unless the latter bank is affiliated with that bank.
- 1.4. A Board member may be a non-resident or non-Iraqi.

2. Conditions for the independence of a Board member

- 2.1. They must not have been a partner or employee of the bank's external auditor during the three years preceding their election to the Board, and they must not be related to the partner responsible for the audit.
- 2.2. Not to be a lawyer, legal advisor, or auditor of the bank's accounts.
- 2.3. Neither he nor any company of which he is a board member, owner, or major shareholder has obtained credit from the bank exceeding one-fifth of the bank's capital, nor has he guarantor of credit from the bank exceeding the same percentage.
- 2.4. Not to be a member of the boards of more than five joint-stock or public companies, in some cases in his personal capacity and in others as a representative of a legal entity.
- 2.5. Not to be an administrator or employee of another bank, or an authorized director of another bank.
- 2.6. Not to have been an employee of the bank or one of its affiliates during the previous three years.
- 2.7. He must not have any kinship with any of the Board members, senior management, or any of their related parties up to the fourth degree.
- 2.8. He must not be a major shareholder in the bank or any of its representatives.
- 2.9. He must not own, directly or indirectly, including ownership by family members who are shareholders or related parties, more than 5% of the shares of any company of any type.



Article 5: Board Meetings

1. The Board must hold no fewer than six meetings per year, as necessary.
2. The Board meetings shall be held at the Bank's management headquarters. If it is not possible to hold them at the management headquarters, they may be transferred to any other location within Iraq, provided that all Board members are present or that those who are not present submit a written apology.
3. Board members must attend meetings in person. If in-person attendance is not possible, a Board member may attend via video or telephone, subject to the approval of the Board Chairman. This method may be used if a member fails to attend a maximum of two times during the year.
4. If the number of absences reaches three or more times during the year, the Chairman of the Board must notify the Bank's General Assembly to take the appropriate action.
5. A quorum for a Board meeting shall be reached if 50 members are present, or 4 members, or whichever is more.
6. Decisions taken by the Board shall be adopted by a majority vote of the members present. If the vote is tied, the Chairman of the Board shall have the casting vote.
7. Board decisions shall be issued with the signature of all members present in person, by videoconference, or by telephone, and the Board Secretary on the minutes of the meeting. The minutes shall be stamped with the Bank's seal within a period not exceeding ten business days. The Board shall be responsible for its decisions and for following up on them.
8. The Board Secretary shall record the minutes of the Board and its committee meetings accurately and completely, and shall record any reservations raised by any member. The Bank shall retain all such minutes, which shall be recorded visually and audio-recorded and preserved. 9- The executive management must provide detailed information to the council members regarding what will be presented at the meeting at least 5 working days before the date of the council meeting, and the council chairman must verify this before the meeting.

Article 6: Duties and Responsibilities of the Board

1. Approving the Bank's plans, including its vision, mission, goals, strategic objectives, and core values, in light of the General Assembly's directives. Directing the Executive Management to implement the plans, while monitoring, evaluating, and amending their performance, if necessary, to ensure the implementation of these plans.
2. Supervising the Executive Management and monitoring its performance, ensuring the soundness and solvency of the Bank's financial position, and adopting appropriate policies and procedures for periodic supervision and oversight of the Bank's performance.
3. Adopting a policy to monitor and review the performance of the Executive Management by establishing Key Performance Indicators (KPIs) (Key Performance Results) to identify, measure, and monitor performance and progress toward achieving the Bank's corporate objectives.
4. Ensuring that the Bank has policies, plans, and operating procedures that encompass all its activities and are consistent with relevant legislation. These policies have been disseminated to all administrative levels and are regularly reviewed.
5. Defining the bank's "core values," establishing clear lines of responsibility and accountability for all bank activities, and instilling a culture of high ethical standards, integrity, and professional conduct among bank administrators.



6. Assume responsibility for the integrity of all bank procedures, including its financial position and reputation, and for implementing the requirements of the Central Bank, as well as the requirements of other supervisory and regulatory bodies related to its work. Taking into account stakeholders, ensuring that the bank is managed within the framework of legislation and within the bank's internal policies, and ensuring that effective oversight of the bank's activities is continuously provided.
7. Follow up on the implementation of the General Assembly's decisions.
8. Submitting the final accounts and statements (the bank's financial statements) and a comprehensive report on the results of implementing the annual plan to the General Assembly for discussion and approval.
9. Ensuring compliance with international standards in all the bank's activities and operations.
10. Discussing and approving the annual plans and budgets related to the bank's activities and monitoring their implementation.
11. Forming the Board of Directors' committees and selecting their members from among the Board members or others.
12. Approving the selection of candidates for executive management positions, periodically evaluating and monitoring their performance, supervising and holding them accountable, and obtaining a clear explanation from them regarding the subject of accountability.
13. Appointing and terminating the services of the internal auditor, determining their fees and remuneration, and evaluating their performance.
14. Approving and reviewing the bank's internal control and oversight systems annually, and ensuring that the internal auditor (and the Sharia internal auditor in Islamic banks), in coordination with the external auditor (i.e., the auditor), reviews these systems at least once a year. The Board must include in the bank's annual report a statement confirming this. The adequacy of these systems.
15. Ensuring the independence of the external auditor (the auditor, both initially and on an ongoing basis).
16. Adopting an effective risk management strategy and monitoring its implementation, including the acceptable level of risk, ensuring the bank is not exposed to excessive risks, ensuring that the board is familiar with the bank's operational environment and the associated risks, and ensuring that the bank has the necessary and sufficient tools and infrastructure to manage risks, capable of identifying, measuring, controlling, and monitoring all types of risks to which the bank is exposed.
17. Ensure that the bank applies the basic principles of good governance, as stated in the Good Governance Rules and the Internal Control System contained in Instructions No. 4 of 2010.
18. Ensure the availability of adequate and reliable Management Information Systems (MIS) covering all of the bank's activities.
19. Disseminate the culture of governance within the bank and encourage all employees and executive management to implement its practices and attend relevant training courses. The bank also works to encourage its clients to implement governance rules within their institutions. Furthermore, it must ensure that the bank's credit policy includes the application of corporate governance for its clients, particularly corporate clients, so that risks are assessed based on their strengths and weaknesses, based on their corporate governance practices.
20. Ensure that the bank complies with the sustainability principles mentioned in Appendix 1 of this guide.
21. Take measures to ensure a clear separation of powers between shareholders, who hold "qualified holdings," on the one hand, and executive management, on the other, with the aim of promoting sound corporate governance. Accordingly, appropriate mechanisms must be developed to limit the influence of shareholders, who hold "qualified holdings."
22. Adopt an organizational structure for the bank that defines a clear administrative hierarchy.



23. Determine the executive powers specific to the bank's operations, whether for the managing director or the executive management, including banking operations, granting credit, signing transfers, checks, guarantees, sureties, borrowing, mortgages, and letters of credit.
24. Adopt a replacement plan for the bank's executive management and review it annually.
25. Ensure that the executive management is informed of the Anti-Money Laundering Office's official website daily regarding the lists of terrorist funds frozen, and immediately inform the Anti-Money Laundering Office and the Banking Control Department at the Central Bank of any individual whose name has been included on the terrorist funds frozen list.
26. The performance of the Council as a whole must be evaluated at least once a year and the results of the evaluation must be presented to the General Assembly, by relying on a system for evaluating the work of the Council, provided that this system includes, as a minimum, the following:
 - 26.1. Set specific goals and define the Council's role in overseeing the achievement of these goals in a measurable, periodic manner.
 - 26.2. Defining key performance indicators (KPIs) for the managing director and executive management, which can be derived from the bank's strategic objectives and annual business plans, and used to periodically measure executive management performance.
 - 26.3. Communication between the board and shareholders, and the necessity of regularity of such communication.
 - 26.4. Periodicity of board meetings with executive management.
 - 26.5. The role and duties of the member in board meetings and the extent of their commitment to attendance, as well as comparing their performance with that of other members. Feedback must also be obtained from the member concerned to improve the evaluation process.
27. The bank must provide the Central Bank with information related to the members of the boards or management bodies and the executive management of its subsidiaries inside and outside Iraq on a semi-annual basis, as well as upon any amendments.
28. The board of directors must oversee the quality of disclosure, transparency, and information about the bank as a whole.

Article 7: Duties and Responsibilities of the Chairman of the Board

1. Establishing a constructive relationship between the board, on the one hand, and the bank's executive management, and between the bank, shareholders, and other stakeholders, on the other hand.
2. Encouraging the expression of opinions on issues under general discussion, as well as those on which there are divergent views among members, while encouraging discussion and voting on such issues.
3. Ensuring that members sign the minutes of meetings.
4. Identifying and meeting the needs of board members regarding developing their expertise and continuous learning, and allowing new members to attend an "Orientation Program" to familiarize themselves with the bank's activities.
5. Sending an invitation to the Central Bank to attend general assembly meetings, at least fifteen days in advance, so that a representative can be appointed.
6. Ensuring that the Central Bank is informed of any material information.

Article 8: Selection and Appointment of the Managing Director

- 1- The bank's board of directors shall appoint one of its members as the bank's managing director.
- 2- The appointed Managing Director must meet the following minimum conditions:
 - 1.1. All conditions stipulated must meet the legal requirements stipulated in Banking Law No. 94 of 2004 and the Companies Law.



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- 1.2. Be fully dedicated to managing daily banking operations.
- 1.3. Hold at least a Bachelor's degree in Finance, Business Administration, Accounting, Economics, Law, Banking, or a banking-related discipline.
- 1.4. Be of good integrity and reputation.
- 1.5. Have actual experience working in executive management in banks in accordance with the controls and instructions issued by this bank.
- 3- The Managing Director is responsible for implementing the Board's decisions within the powers delegated to him.
- 4- It is not permissible to combine the positions of Chairman of the Board and Managing Director or General Manager.

Article 9 - Duties and Responsibilities of the Board Secretary

The Board shall define the duties of the Board Secretary to include the following:

1. Attend all Board meetings, record all deliberations, proposals, objections, reservations, and voting procedures on draft Board resolutions. Audio and video recording, or any other means deemed appropriate, are required to ensure the recording of all observations made during Board meetings. The records and minutes of Board meetings must also be recorded, preserved, and documented after being signed by Board members, in addition to audio and video recording.
2. Present topics, after preparing a brief summary of each topic, stating the views of the Executive Management and various committees, linking the documents and priorities related to each topic, and submitting them to the Chairman of the Board for approval.
3. Provide each member with an adequate summary of the Bank's activities, upon election, appointment, or upon request.
4. Discuss with any new member, with the assistance of the bank's legal advisor or legal affairs manager, the board's duties and responsibilities, particularly those related to legal and regulatory requirements, clarifying duties, powers, and other matters related to membership, including the term of membership and meeting dates. Furthermore, provide the new member with relevant laws and instructions issued by the bank pertaining to the board's work, including the guidelines.
5. Organize the board's dates and meetings, with the approval of the board chairman.
6. Ensure that board members sign the minutes of meetings, monitor the implementation of decisions taken by the board, and address any issues postponed at a previous meeting.
7. Receive reports from the board's committees and present them to the board.
8. Number decisions sequentially from the beginning of the year to the end (decision number, session number, date).
9. Ensure compliance with all legal requirements related to board affairs.
10. Provide the Central Bank with signed minutes of meetings.
11. Regarding shareholders and general assembly meetings: Communicating with shareholders and assisting in organizing general assembly meetings.
12. Maintaining shareholder data.
13. Preparing for general assembly meetings and cooperating with the board's committees.
14. Sending invitations to shareholders, the Central Bank, and the Companies Registrar.
15. Ensuring the attendance of board members, executive management members, and the external auditor.
16. Maintaining records of general assembly meetings.



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Section Three: Sharia Board

Article 10: Sharia Supervisory Board in Islamic Banks

1. Branches of foreign Islamic banks must appoint a local Sharia Board of no less than three members, subject to the same conditions and obligations stipulated in this guide.
2. The Sharia Board may not be dissolved or any member dismissed except by a reasoned decision from the Board, by a two-thirds majority of the members, after issuing a justified warning, specifying a correction period, hearing the views of the Sharia Supervisory Board or some of its members to be dismissed, and obtaining the approval of the bank's General Assembly and the Central Bank.
3. Sharia Board Meetings:
 - 3.1. The Sharia Board must hold at least six meetings per year to monitor the Sharia compliance of the bank's operations.
 - 3.2. The Sharia Board must meet quarterly with the Board, the Sharia Audit Department, and the external auditor to discuss matters of mutual interest.
 - 3.3. Sharia Board members must attend their meetings in person. If in-person attendance is not possible, a board member may attend via videoconference or telephone, subject to the approval of the Board Chairman. This method may be used if a member is absent a maximum of two times during the year.
 - 3.4. If the number of absences reaches three or more times during the year, the Chairman of the Sharia Board must notify the bank's General Assembly to take appropriate action.
4. Duties and Responsibilities of the Sharia Board
 - 4.1. Monitor the bank's business and activities to ensure they comply with and comply with the provisions of Islamic Sharia, and monitor and review operations to ensure they are free of any Sharia-related prohibitions.
 - 4.2. Express opinions and approve all contracts, transactions, agreements, products, services, investment policies, and policies regulating the relationship between shareholders and investment account holders, including the distribution of profits and the allocation of losses after approval, the avoidance of income from investment accounts, and the mechanism for disposing of income that is not Sharia-compliant.
 - 4.3. Review and approve policies and guidelines related to Islamic Sharia provisions to ensure the adequacy and effectiveness of the bank's internal Sharia control system.
 - 4.4. Provide guidance to bank employees and raise awareness of Islamic Sharia principles, provisions, and Islamic financing tools.
 - 4.5. Propose necessary Sharia training courses for bank employees, in coordination with the Human Resources Department.
 - 4.6. Attend General Assembly meetings and present the Sharia Board's report, presented by its Chairman or a designated member of the Board, for approval.
 - 4.7. Forming and expressing an opinion on the bank's compliance with the provisions and principles of Islamic Sharia. The Board shall:
 - 4.7.1. Review and approve the annual Sharia Internal Audit Report, submitted to the Audit Committee by the Sharia Internal Audit Department. Central Bank of Iraq
 - 4.7.2. Issue a semi-annual and annual report on Sharia compliance, including the effectiveness of internal Sharia controls and any significant weaknesses in the Sharia controls and internal Sharia oversight systems. The semi-annual report shall be submitted to the Board and the annual report to the General Assembly of Shareholders, with a copy of each to the bank.



- 4.8. Expressing an opinion on the bank's articles of association and bylaws, ensuring their consistency with the provisions and principles of Islamic Sharia.
 - 4.9. Recommending to the Board of Directors the appointment and removal of the Director of the Internal Sharia Audit Department, with the final decision being made after approval by the Central Bank.
 - 4.10. Expressing an opinion on the legitimacy of the sources of the funds paid to increase the capital, considering this a condition for its validity.
 - 4.11. The Chairman of the Sharia Board shall ensure that the bank is informed of any material information that could adversely affect the suitability of any of the Board members.
 - 4.12. Draft a guideline that includes the method for submitting fatwa requests by the bank's administrative institutions to the Sharia Supervisory Board, the conduct of its meetings, and the mechanism for ensuring actual compliance with any resolution issued by the Board. The Secretariat shall also ensure that written, hard copy, and electronic documentation is maintained.
5. The Sharia Board shall have a secretariat that performs the following duties:
- 5.1. Set the dates of Sharia Board meetings in coordination with the Chairman of the Board and notify the members.
 - 5.2. Ensure that the Executive Management provides detailed information on the bank's activities and relevant topics to the meeting, sufficiently in advance of the Sharia Board meeting.
 - 5.3. Attend and record all Sharia Board meetings, deliberations, proposals, and any reservations raised by any member. All such minutes shall be properly preserved and documented.
 - 5.4. The name of any member absent from the meeting shall be recorded, indicating whether the absence was excused or not, and this shall be noted in the minutes of the meeting.
 - 5.5. Follow up on the implementation of fatwas and decisions issued by the Sharia Board and provide them to the Internal Sharia Audit Department and the Compliance Department for their information and action. Follow up on any topics postponed from a previous meeting.
 - 5.6. Submit the minutes of the Sharia Board meetings upon request by the Internal Sharia Auditor and the inspectors of this bank.
 - 5.7. Maintain the reports of the Internal Sharia Audit Department and follow up on the implementation of the Sharia Board's recommendations regarding them.

Article 11: Suitability of Sharia Supervisory Board Members in Islamic Banks

1. The Board Chairman's academic qualifications must be at least a Master's degree from a recognized university in the field of Sharia sciences, including jurisprudence of transactions, and he or she must have at least three years of experience in issuing fatwas and Sharia rulings, or four years of post-graduation experience in teaching or scientific research in the field of Islamic finance.
2. Board members must hold at least a Bachelor's degree in the relevant field.
3. The Central Bank may object to the nomination of any person for membership in the Board if it finds that he or she does not meet any of the conditions stipulated in Clause 2 of this Article, or for any other reason it deems appropriate for disapproval.
4. When it is necessary to appoint Board members residing outside Iraq, their number must not exceed two out of five members.
5. The Board Chairman and members must be independent. This is achieved through the following:
 - 5.1. The Board members must not include any shareholders in the bank, members of the bank's board of directors, or employees of the bank's subsidiaries during the two years preceding the appointment date.



- 5.2. The Board members must not have a first- or second-degree relative relationship with current or former senior executives (current and previous years) of the bank or its subsidiaries.
- 5.3. The Board members must not be a member of the Sharia Supervisory Board of any other Islamic bank in Iraq. Central Bank of Iraq.



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Section Four – Committees

Article 12: Board Committees

Board committees play an important role in supporting the Board of Directors during the decision-making process. Accordingly, an appropriate number of committees should be formed, based on the size of the bank and the diversity of its activities, with the following committees at a minimum: an Audit Committee, a Risk Committee, and a Nomination and Remuneration Committee.

1. General Framework for the Formation and Monitoring of the Work of Board Committees

- 1.1. The Board shall form committees from among its members, determine their objectives, and delegate powers to them. The Board shall commit to not making unilateral decisions without a vote from the Bank's Board of Directors. The Board shall also continuously monitor the work of the committees to ensure the effectiveness of their roles. It is possible to merge some committees according to their respective mandates, provided that there is no conflict between the duties and responsibilities of these committees.
- 1.2. Ensure that committees have easy access to sufficient information from management. Any committee may also obtain advice and technical support from external sources, provided this is done with the knowledge and approval of the Board.
- 1.3. Transparency must be maintained in the formation of committees, with the names of their members disclosed in the Board's annual report, as well as the committees formed by the Board, their working mechanisms, and scope of supervision.
- 1.4. Specialization, experience, impartiality, and the absence of conflicts of interest must be taken into account when forming committees.
- 1.5. Monitor committees affiliated with the Board of Directors and present their reports and findings to the Chairman of the Board.
- 1.6. Each committee must have an internal charter outlining its duties, scope of work, and procedures, including how to prepare reports to the Board of Directors and the expectations of Board members regarding their membership in these committees.
- 1.7. The bank must provide the bank with a list of all committees affiliated with the Board, their duties, working procedures, and the names of their members.
- 1.8. The rapporteur of the committee formed by the Board shall be either the Board Secretary or any executive employee selected by the committee, with the exception of the director of the department responsible for the work of the relevant committee.
- 1.9. The chairman of each committee formed must be an independent Board member.

2. Organizing Committee Work

- 2.1. Committees shall hold periodic meetings, the number of which shall be determined according to the nature of each committee's work.
- 2.2. The committee secretary shall be responsible for keeping minutes of committee meetings and recording its recommendations, in accordance with the powers granted to it.
- 2.3. The committee chairman shall present the minutes of its meetings and recommendations to the Board of Directors for a vote.
- 2.4. Committees shall undertake to submit periodic reports and an annual report on the results of their work to the Board of Directors.
- 2.5. Temporary committees shall be formed by a decision of the Board or at the request of the Central Bank of Iraq. The decision shall specify the committee's composition, scope of work, responsibilities, and the time required to complete the work of the Central Bank of Iraq.



3. Audit Committee

3.1. The committee shall consist of at least three members, who must be independent members of the Board of Directors, consultants, or experts in the field of finance or auditing, with the approval of the Central Bank. The committee chairman must be an independent member of the Board of Directors and may not be a member of any other committee of the Board.

3.2. The Board must ensure that all members of the committee possess appropriate financial capabilities and experience, including:

- 3.2.1. Experience in auditing practices and procedures.
- 3.2.2. Understanding of internal audit methods and procedures and financial reporting procedures.
- 3.2.3. Understanding of the accounting principles applicable to the bank's financial statements.
- 3.2.4. Understanding the duties and importance of the Audit Committee.
- 3.2.5. Ability to read, understand, and evaluate the bank's financial statements, including the balance sheet, income statement, cash flow statement, and statement of changes in shareholders' equity.

3.3. Committee Duties and Powers:

- 3.3.1. Scope, results, and adequacy of the internal audit, monitoring the external auditor, and discussing their reports.
- 3.3.2. Accounting issues that have a material impact on the bank's financial statements.
- 3.3.3. The bank's internal control and oversight systems.
- 3.3.4. Ensuring compliance with international standards and anti-money laundering in all bank activities and operations. The committee has the right to investigate, investigate, and audit any operations, procedures, or regulations it deems to affect the strength and soundness of the bank.
- 3.3.5. Recommend to the Board of Directors the approval of the bank's organizational structure, the creation, abolition, or merger of organizational structures, and the definition and amendment of the roles and responsibilities of these structures.
- 3.3.6. Review the annual training and development plan and monitor its implementation, as well as review executive management reports on the status of human resources.
- 3.3.7. Review policies and instructions related to the appointment, promotion, resignation, and termination of service of all bank employees, including executive management, subject to applicable laws.
- 3.3.8. Preparing a quarterly report on the committee's work after the end of each fiscal quarter and submitting it to the Board of Directors.
- 3.3.9. Reviewing and approving accounting procedures, the annual audit plan, and accounting controls.
- 3.3.10. Ensuring the bank's compliance with the disclosures specified by International Financial Reporting Standards (IFRS), Central Bank instructions, and other relevant legislation and directives, and ensuring that executive management is aware of changes to International Financial Reporting Standards and other relevant standards.
- 3.3.11. The bank's annual report shall include a report on the adequacy of its internal control and oversight systems with regard to financial reporting. The report shall include, at a minimum, the following:
 - 3.3.11.1. A paragraph explaining the internal auditor's responsibility, in collaboration with executive management, to establish and maintain internal control and oversight systems for financial reporting at the bank.



- 3.3.11.2. A paragraph explaining the framework used by the internal auditor and its evaluation to determine the effectiveness of the internal control and oversight systems.
 - 3.3.11.3. Ensuring compliance with international standards across all bank activities and operations.
 - 3.3.11.4. Ensuring the existence of an Anti-Money Laundering and Combating the Financing of Terrorism office linked to the Council, responsible for implementing the "Know Your Customer" (KYC) policies and the resulting duties and responsibilities, including the office's preparation of periodic reports on its activities.
 - 3.3.11.5. Monitoring compliance with the Foreign Account Tax Compliance Act (FATCA)
 - 3.3.11.6. Disclosing weaknesses in internal control systems that may prevent or detect a materially significant false statement.
 - 3.3.11.7. A report from the external auditor stating their opinion on the effectiveness of internal systems and controls.
- 3.3.12. The Committee's Relationship with the External Auditor: The Committee is directly responsible for the following:
- 3.3.12.1. Proposing qualified individuals to serve as external auditors or recommending their removal.
 - 3.3.12.2. Providing direct communication between the external auditor and the Committee.
 - 3.3.12.3. Agreeing on Scope of the audit with the external auditor.
 - 3.3.12.4. Receiving audit reports and ensuring that the bank's management takes the necessary corrective actions in a timely manner regarding problems identified by the external auditor.
- 3.3.13. The committee's relationship with the internal auditor: The committee is directly responsible for the following:
- 3.3.13.1. Appointing the internal auditor or recommending his dismissal, promotion, or transfer after obtaining the bank's approval.
 - 3.3.13.2. Reviewing and approving the internal audit plan.
 - 3.3.13.3. Requesting reports from the internal audit manager.
 - 3.3.13.4. The Audit Committee shall ensure the availability of sufficient financial resources and a sufficient number of qualified human resources to manage and train the internal audit function.
 - 3.3.13.5. The Audit Committee shall ensure that internal audit staff are not assigned any executive tasks and ensure their independence.
- 3.3.14. Monitor compliance and combat money laundering and terrorist financing with the laws, regulations, and controls applicable to the bank and report thereon to the Board.
- 3.3.15. Review reports submitted by the bank to the Bank.
- 3.3.16. Submit the annual report to the Board of Directors disclosing the bank's activities and operations.
- 3.3.17. The Committee shall have the authority to obtain any information from executive management and may summon any manager to attend any of its meetings, provided that they are not members of the Committee, provided this is stipulated in the Internal Audit Charter.



- 3.3.18. The committee meets with the external auditor, the internal auditor, the compliance officer, and the anti-money laundering officer at least four times a year, without the presence of any members of executive management.
- 3.3.19. The committee reviews and monitors procedures that enable employees to confidentially report any errors in financial reports or other matters. The committee ensures that the necessary arrangements are in place for independent investigations and employee protection, and ensures that investigation results are followed up and addressed objectively.
- 3.3.20. Review anti-money laundering and counter-terrorism financing reports.
- 3.3.21. Follow up on the implementation of business continuity and disaster recovery programs in coordination with the Information and Communications Technology Committee. Central Bank of Iraq

4. Risk Management Committee

- 4.1. The committee shall be composed of at least three non-executive members, with the committee chair being an independent member. Committee members must have experience in risk management, practices, and related issues.
- 4.2. Committee Duties:
 - 4.2.1. Reviewing the bank's risk management strategy before its approval by the Board.
 - 4.2.2. Reviewing the credit policy and submitting recommendations thereon to the Board of Directors for approval, as well as overseeing the implementation of the credit policy proposed by them.
 - 4.2.3. Monitoring the bank's credit risk, whether related to the standard approach, the internal rating-based approach, operational risk, market risk, supervisory review, and market discipline, as stipulated in the resolutions issued by the Basel Committee on Banking Supervision in Iraq.
 - 4.2.4. Determining credit ceilings that exceed the authority of the Managing Director or Regional Manager.
 - 4.2.5. Monitoring the bank's ability to mitigate liquidity risks in accordance with Basel III, including liquidity standards.
 - 4.2.6. Recommending the divestment of activities that cause risks to the bank and that it lacks the capacity to address.
 - 4.2.7. Ensuring the bank's compliance with the regulations, instructions, and policies related to risk management.
 - 4.2.8. The Committee shall meet at least four times a year. Any member of senior management may be invited to attend its meetings to clarify any issues and topics the Committee deems necessary.
 - 4.2.9. Periodically review the risk management policy proposed by the Bank's senior management and submit recommendations thereon to the Board of Directors for approval and ratification.
 - 4.2.10. Oversee senior management's compliance with the Bank's approved risk policies.
 - 4.2.11. Maintain ongoing communication with the Risk Manager and receive periodic reports from him on matters related to the Bank's current risk profile and risk culture, in addition to reports on limits and ceilings, any breaches thereof, and risk mitigation plans.
 - 4.2.12. Oversee capital and liquidity management strategies and all related risk management strategies to ensure their consistency with the Bank's approved risk framework.
 - 4.2.13. It receives periodic reports from the committees established by the Executive Management (Credit, Investment, Information Technology, and Communications).
 - 4.2.14. Review the investment policy and submit recommendations thereon to the Board of Directors for approval, as well as oversee the implementation of the investment policy proposed by the Board.



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- 4.2.15. Evaluate the performance of the investment portfolio in terms of return and risk with regard to the Bank's domestic and international investments, and continuously monitor the environment of indicators and the movement of domestic and international capital markets.

5. Nomination and Remuneration Committee

- 5.1. The committee shall consist of at least three members, who shall be independent or non-executive members, and the committee chairman shall be an independent member.
- 5.2. Committee Duties:
- 5.2.1. Identify qualified individuals to join the Board of Directors or senior management of the Bank, except for identifying qualified individuals to serve as the Director of Internal Audit, which is the responsibility of the Audit Committee.
- 5.2.2. Preparing the remuneration policy and submitting it to the Board of Directors for approval and overseeing its implementation, taking into account the following:
- 5.2.2.1. It must be consistent with the principles and practices of sound governance, ensuring that the bank's long-term interests prevail over immediate or short-term considerations.
- 5.2.2.2. The extent to which the bank achieves its long-term objectives in accordance with its approved strategic plan.
- 5.2.2.3. Ensuring that the remuneration policy takes into account all types of risks to which the bank is exposed, balancing the achieved profits with the degree of risk involved in banking activities and operations.
- 5.2.2.4. The rewards and salaries policy must cover all levels and categories of the bank's employees. The rewards, salaries and incentives policy must be reviewed periodically, or when the Board of Directors so recommends, and recommendations must be submitted to the Board to amend or update this policy. The bonuses, salaries and incentives policy must be periodically evaluated to ensure the achievement of its stated objectives.
- 5.2.2.5. Establish a succession policy to secure executive management positions at the bank, to be reviewed at least annually, ensuring that the bank is prepared to deal normally with any changes that may occur in executive management positions without impacting the bank's performance or continued operations.
- 5.2.2.6. Ensure the development of plans and programs for the continuous training and qualification of Board members to keep pace with all important developments in banking and financial services (commercial and Islamic).
- 5.2.2.7. Oversee the performance evaluation process of the bank's human resources, particularly the executive management, review the related reports, and submit recommendations thereon to the Board of Directors.

6. Corporate Governance Committee

- 6.1. The committee shall consist of three members, the majority of whom shall be independent and non-executive members, and the committee shall include the Chairman of the Board.
- 6.2. Reviewing the implementation of this guide, supervising the preparation of the bank's corporate governance guide in accordance with the size of the bank's operations and the diversity and variety of its activities, updating it, and monitoring its implementation.
- 6.3. Supervising and preparing the governance report and including it in the bank's annual report.
- 6.4. Ensuring the bank's application of corporate governance principles and sound practices.



Article 13: Committees Emanating from the Executive Management

Senior management shall form committees to assist it in carrying out its duties and submit periodic reports to the relevant Board of Directors committees to ensure effective oversight and supervision. Executive management committees shall consist of at least three members, and Board members may attend as observers to assist them. The committees shall send their meeting dates to the Board of Directors prior to the meeting so that any Board member may attend as an observer if they wish.

1. Credit Committee

1.1. The committee shall meet at least once a month or whenever necessary.

1.2. Committee Duties:

- 1.2.1. Supervising and monitoring the implementation of instructions issued by the Central Bank of Iraq regarding the criteria for assessing customer creditworthiness and creating provisions.
- 1.2.2. Monitoring credit exposures in cooperation with two divisions:
 - 1.2.2.1. Credit Registry Accounts.
 - 1.2.2.2. Customer Affairs (Consumers and Beneficiaries).
- 1.2.3. Monitoring loan repayment activity.
- 1.2.4. Cooperating with the Legal Department in following up on the collection of non-performing loans.
- 1.2.5. Working to recover written-off loans as much as possible.
- 1.2.6. Simplifying loan granting procedures.

2. Investment Committee

2.1. The committee meets at least once a month or as needed.

2.2. Committee Duties:

- 2.2.1. Segmenting the investment portfolio into "equity" and "debt" instruments, including treasury bills and government bonds, as well as the portfolio's foreign-denominated components.
- 2.2.2. Propose purchase, sale, or retention transactions for investment portfolio components and follow up on their implementation if approved by the Board of Directors.
- 2.2.3. Review periodic indicators used by the Investment Department or investment units and submit the necessary proposals regarding them.

3. Information and Communications Technology Committee

3.1. The committee shall meet at least once a month or as needed.

3.2. Committee Duties:

- 3.2.1. Review and develop the use of information and communications technology, and ensure the security of information and communications technology.
- 3.2.2. Verify the adequacy of the infrastructure, information and communications systems, electronic networks, and software used by the bank.
- 3.2.3. Verify the adequacy of the procedures taken to maintain up-to-date backup copies of information to address potential disasters and database loss.
- 3.2.4. Monitor electronic customer service technologies.
- 3.2.5. Ensure the quality and appropriateness of the management of the bank's internal network and website.
- 3.2.6. Monitor the implementation of business continuity and disaster recovery programs.
- 3.2.7. Ensure the preparation and updating of the information and communications technology policies and procedures manual, and submit the necessary proposals for developing the manual in accordance with business requirements.



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- 3.2.8. Ensure that there is a separation of duties between the Information and Communications Technology Department on the one hand, and other departments in the bank on the other hand.



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Section Five - Executive Management

Article 14: Suitability of Executive Management Members

1. Executive Management members must possess the highest degree of credibility, integrity, competence, and banking experience, as well as the ability to commit and dedicate time to the Bank's work. The Board and the Nomination and Remuneration Committee are responsible for ensuring this, as specified in their responsibilities in this manual.
2. Framework for the Executive Management:
 - 2.1. The Executive Management consists of the Bank's officials.
 - 2.2. The Executive Management exercises its powers and performs its responsibilities in accordance with the delegations and decisions issued by the Board of Directors.
 - 2.3. The Executive Management is accountable to the Board of Directors for achieving the Bank's objectives and operations.
 - 2.4. Board members are not authorized to interfere in the Bank's daily operational activities.
3. Duties of the Executive Management:
 - 3.1. Preparing and implementing strategic and operational plans, after their approval by the Board of Directors, ensuring their effectiveness, and submitting proposals for their development or amendment.
 - 3.2. Implementing relevant laws, regulations, instructions, policies, and directives issued by the Board of Directors with integrity, honesty, and responsibility.
 - 3.3. Providing recommendations regarding important decisions related to banking operations, including the management of deposits, loans, and investments, and the provision of local and international services, in terms of requirements, implementation methods, and continuous improvement.
 - 3.4. Reviewing expansion plans for new branches and offices and working to implement them.
 - 3.5. Preparing and developing policies and procedures related to all operational details.
 - 3.6. Preparing an organizational structure for the bank, including defining duties and responsibilities, distributing them among organizational structures, and identifying vertical and horizontal lines of communication.
 - 3.7. Preparing the necessary annual budgets for the bank.
 - 3.8. Adhering to internal control systems to protect the bank's funds and assets and ensuring the soundness and integrity of financial transactions and information, and working to implement them.
 - 3.9. Establishing appropriate systems for managing all types of risks.
 - 3.10. Providing internal and external regulatory bodies with the reports and information they request, facilitating the completion of their regulatory and inspection tasks.
 - 3.11. Ensuring compliance with international standards in all the bank's activities and operations.
 - 3.12. Submitting periodic reports to the Board of Directors on the bank's business progress.
 - 3.13. Maintaining comprehensive and sound records and information systems for all activities and decisions, supporting them with the necessary documentation.
 - 3.14. Discussing and monitoring the bank's workflow and proposing solutions.
 - 3.15. Coordination between various departments to ensure consistency, harmony, and integration.
 - 3.16. Determining human resource needs and following up on training to improve performance.
 - 3.17. Monitoring the bank's financial position and ensuring it achieves appropriate profits, within the framework of a sound risk-return balance and in implementation of its annual plan.



- 3.18. Reviewing the official website of the Anti-Money Laundering Office daily regarding the lists of terrorist funds frozen, and immediately informing the Anti-Money Laundering Office and the Banking Control Department at the Central Bank of any individual whose name has been included on the terrorist funds freezing list.
4. Obtaining the Board's approval is required when appointing any member of the bank's executive management.
5. Requirements for appointing the bank's executive management:
 - 5.1. Must not be a member of the board of directors of any other bank, unless the other bank is a subsidiary of that bank.
 - 5.2. Must be dedicated to managing the bank's business.
 - 5.3. Must hold a minimum of a first-class university degree in financial or banking sciences, business administration, finance, accounting, economics, law, or information technology related to the bank's operations.
 - 5.4. Must have at least five years of experience in banking or related fields, with the exception of the positions of General Manager, Managing Director, or Regional Manager, who must have at least ten years of experience in banking or related fields.
6. The Central Bank's no-objection approval must be obtained before appointing any member of the executive management. Therefore, before appointing any member of the executive management, the bank must obtain a curriculum vitae from the candidate, along with supporting documents and academic certificates, experience certificates, good conduct certificates, and other necessary supporting documents.
7. An administrator dismissed from his position by the Central Bank may not become a member of the board of directors of any bank, an authorized manager of any bank or any bank branch, or work as an administrator or within the executive management of any other bank.
8. The Central Bank must be notified of the dismissal or resignation of any employee in the executive management within three (3) days, and the reasons for such dismissal or resignation must be communicated.
9. A person who was an employee in the executive management of a bank whose license was revoked or whose liquidation was decided during his term of office may not work within the executive management of any other bank unless the Central Bank decides otherwise.

[Article 15: Conflict of Interest](#)

1. The Board of Directors must ensure that due diligence is exercised to arrange matters related to the Bank's business and personal business affairs in a manner that avoids conflicts of personal interest with the interests of the Bank.
2. The Board must adopt policies and procedures to address conflicts of interest that may arise when the Bank is part of a banking group, and must disclose in writing any conflicts of interest that may arise from the Bank's affiliation with companies within the group.
3. The Board must adopt policies and procedures for dealing with related persons, including a definition of these parties, taking into account applicable legislation, policies, procedures, and monitoring mechanisms, so that they are not circumvented.
4. The Bank's oversight departments must ensure that the transactions of related persons are conducted in accordance with approved policies and procedures. The Audit Committee must review and monitor all related person transactions, and inform the Board of these transactions.
5. The Board shall adopt policies and a code of professional conduct and disseminate them to all employees, ensuring that they include, at a minimum, the following:
 - 5.1. No employee shall exploit insider information within the bank for personal gain.
 - 5.2. Rules and procedures governing dealings with related persons.



- 5.3. Addressing situations that may arise from a conflict of interest.
6. The Board shall ensure that the executive management maintains high integrity in the conduct of its work, implements approved policies and procedures, and avoids conflicts of interest.
 7. Board members must receive timely, clear, and accurate information to enable them to fulfill their duties and perform their tasks to the fullest extent possible.
 8. The Bank shall provide the Central Bank with the number of shares pledged by the Bank's shareholders who own 1% or more of the Bank's capital, and the entity to which these shares are pledged.



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Section Six - Basic Structures for Achieving Oversight, Disclosure, and Transparency

Article 16: Internal Audit

Internal audit ensures the necessary periodic assessment of the quality of the bank's accounts, performance, and operations, while complying with international standards. It also submits periodic reports to the Audit Committee on the effectiveness and suitability of the internal control processes and procedures approved and implemented by the bank's management.

1. Qualifications of Internal Audit Department Staff

- 1.1. The Internal Audit Manager and his/her assistant must hold at least a bachelor's degree in accounting, banking management, financial and banking sciences, or a related field of banking, and must have experience and practice in the field of oversight in accordance with the controls and instructions issued by the bank.
- 1.2. When selecting internal audit staff, consideration must be given to ensuring that they are specialists in accounting and auditing and have sufficient experience.

2. Relationship of Internal Audit to the Board

- 2.1. The Board must ensure that the Internal Audit Department is subject to the direct supervision of the Audit Committee and reports directly to the Chairman of the Audit Committee to ensure its independence.
- 2.2. The authority to communicate directly with the Board of Directors, the Chairman of the Board of Directors, the Audit Committee, the external auditor, and the bank's compliance officer.
- 2.3. Submit monthly, quarterly, semi-annual, and annual reports on business results to the Audit Committee.
- 2.4. Prepare a work manual for the policies and procedures of the Internal Audit Department. This manual must be approved by the Audit Committee and the Board of Directors and reviewed and updated by the Audit Committee at least once a year or two.
- 2.5. The structure of the internal control and oversight systems must be reviewed by the Audit Committee, the Internal Audit Department, and the Shari'a Audit Department in the case of an Islamic bank at least once a year or whenever necessary.

Article 17: Internal Shari'a Audit

Responsible for monitoring and reviewing the work manuals and work procedures of the Islamic bank to ensure their compliance with the rules established and reviewed by the Shari'a Board. It must also ensure that the products and services provided by the bank have been approved by the Shari'a Board.

1. The Relationship of the Shari'a Supervisory Board to Internal Shari'a Audit

- 1.1. Ensure the audit plan's completion rates and follow up on updates based on field observations.
- 1.2. Review the work manual, which outlines the department's purposes, powers, and responsibilities.
- 1.3. The Sharia internal auditor shall not have executive authority or responsibility for the work they perform.
- 1.4. Identify deviations in the implementation of the decisions and fatwas of the Sharia Supervisory Board.
- 1.5. Evaluate the performance of the internal Sharia audit manager and staff.
- 1.6. Examine and evaluate the adequacy and effectiveness of the bank's internal Sharia control system.



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- 1.7. Monitor the bank's management's compliance with Sharia principles, fatwas, and decisions issued by the Board.
- 1.8. Monitor the bank's compliance with the Sharia and accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB).
- 1.9. The annual Sharia audit plan, to be approved by the Board, and adherence to its provisions.
- 1.10. Examine receivables and financing classified as non-performing facilities, or those scheduled for write-off, financed from joint investment accounts, to ensure the absence of any violations or negligence on the part of the bank.
- 1.11. Verifying the executive management's compliance with the policy regulating the relationship between shareholders and investment account holders, particularly the basis for profit distribution.

2. The Board's Relationship with the Internal Sharia Audit Department

- 2.1. Ensuring and enhancing the independence of internal Sharia auditors, ensuring they are qualified to perform their duties, including their right to access all records and information and to contact any employee within the bank, enabling them to perform their assigned tasks and prepare their reports without any external interference.
- 2.2. Taking the necessary measures to enhance the effectiveness of internal Sharia audit by:
 - 2.2.1. Giving due importance to the Sharia audit process and establishing this within the bank.
 - 2.2.2. Following up on the correction of Sharia audit observations.
- 2.3. Ensuring the availability of sufficient financial resources and a sufficient number of qualified human resources to manage the internal Sharia audit and training them, and ensuring that employees meet the following minimum requirements:
 - 2.3.1. A specialized university degree with knowledge of the principles of Islamic financial transactions, the terms of each contract, and the causes of its corruption.
 - 2.3.2. The head of the internal Sharia audit department must hold the Sharia Supervisor and Auditor certification, which includes the Certified Sharia Advisor and Certified Sharia Auditor certifications granted by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Obtaining one of the above certifications is sufficient to meet the requirements.
- 2.4. Verify that the internal Sharia audit staff are not assigned any executive tasks.
- 2.5. Approve an "Internal Audit Charter" that includes the duties, powers, and responsibilities of the Sharia audit department and disseminates it within the bank.
- 2.6. Verify that the internal Sharia audit department is subject to the direct supervision of the Sharia Board and that it submits its reports to the Chairman of the Sharia Board, with a copy of the charter sent to the Audit Committee.

Article 18: The Board's Relationship with the External Auditor

1. The Board shall ensure regular rotation of the external auditor between audit firms and their subsidiaries, affiliates, or any other related companies, no more than every five years from the date of election.
2. The Board shall take appropriate measures to address weaknesses in the internal control and oversight systems or any other points identified by the external auditor.
3. The Board shall contribute to strengthening the role of the external auditor to ensure that the financial statements reflect the bank's performance in all significant aspects and demonstrate its true financial position.



4. The Board shall emphasize the importance of effective communication between the external auditor and the bank's audit committee.

Article 19: The Board's Relationship with Risk Management

1. Ensure that the Risk Management Department monitors the bank's executive management regarding the defined levels of acceptable risk.
2. The Board shall ensure that any excesses of acceptable risk levels are addressed, including holding the relevant executive management accountable for such excesses.
3. The Board shall ensure that the Risk Management Department periodically conducts stress tests to measure the bank's ability to withstand shocks and address elevated risks. The Board shall play a key role in approving the hypotheses and scenarios used, discussing the test results, and approving the necessary actions based on these results.
4. The Board shall adopt a methodology for the internal assessment of the bank's capital adequacy, in accordance with the Basel Committee on Banking Supervision's Basel II and Basel III resolutions and any other international standards. This methodology shall be comprehensive, effective, and capable of identifying all risks that the bank may face, taking into account the bank's strategic plan and capital plan. This methodology shall be reviewed periodically, its implementation verified, and the bank shall ensure that it maintains sufficient capital to address all risks to which it may be exposed.
5. Before approving any expansion of the bank's activities, the Board must consider the risks involved and the capabilities and qualifications of the risk management staff.
6. The Board must ensure the independence of the bank's risk management by submitting its reports to the Risk Management Committee and granting this department the necessary powers to obtain information from other bank departments and cooperate with other committees to carry out its duties.
7. The policies approved by the Board of Directors must include acceptable limits for the risks to which the bank may be exposed. These limits must be consistent with the bank's risk appetite and the extent to which they are appropriate for the size of its capital.
8. The Board must assess the continued suitability of the work procedures for measuring, monitoring, and controlling risks and make any necessary adjustments to them in accordance with market developments and the environment in which the bank operates.
9. Use appropriate and effective information and communication systems, particularly with regard to the process of monitoring and controlling risks, and ensure the efficiency of the information management system, enabling the bank's senior management, the risk committee, and the board to be provided with periodic reports (at least monthly) that reflect the bank's compliance with the specified risk limits, clarify any violations of these limits, their causes, and the necessary corrective plan.
10. Risk management tasks consist, at a minimum, of the following:
 - 10.1. Study and analyze all types of risks faced by the bank.
 - 10.2. Prepare the bank's Risk Management Framework and present it to the Board.
 - 10.3. Implement the risk management strategy, in addition to developing policies and procedures for managing all types of risks.
 - 10.4. Develop methodologies for identifying, measuring, monitoring, and controlling each type of risk.
 - 10.5. Submit reports to the Board, through the Risk Management Committee, with a copy to the Executive Management, including information on the actual risk profile for all the bank's activities, compared to the Risk Appetite document, and follow up on the resolution of any negative deviations.



- 10.6. Verify the integration of risk measurement mechanisms with the management information systems (MIS).
- 10.7. Submit recommendations to the Risk Management Committee regarding the bank's exposures to risks, and record exceptions to the risk management policy.
- 10.8. Providing the necessary information about the bank's risks, for use for BANK disclosure purposes.

Article 20: The Board's Relationship with the Compliance Department

1. The Board shall adopt a clear policy to ensure the bank's compliance with all relevant legislation and instructions, and shall periodically review this policy and verify its implementation.
2. The Board shall approve the duties and responsibilities of the Compliance Department.
3. The Compliance Department shall submit its reports to the Audit Committee, with a copy sent to the General Manager or the Managing Director.
4. The bank shall establish an independent compliance department, reinforced by trained human resources and adequately compensated, in accordance with the Central Bank's instructions issued in this regard.
5. The Compliance Department shall develop effective policies and procedures to ensure the bank's compliance with all applicable legislation and instructions, as well as any relevant guidelines and manuals. The bank shall document the duties, powers, and responsibilities of the Compliance Department, and disseminate them within the bank.

Article 21: The Board's Relationship with the Anti-Money Laundering and Counter-Terrorism Financing Department

1. The Board, through the Audit Committee and the bank's supervisory departments or divisions, shall ensure that the bank implements customer due diligence measures in accordance with Anti-Money Laundering and Counter-Terrorism Financing Law No. 39 of 2015 and the instructions issued pursuant thereto.
2. The Board shall ensure that the bank retains the following records, documents, and records for a period of five years from the date of termination of the relationship with the customer or from the date of closing the account or executing a transaction for a casual customer, whichever is longer, and shall ensure that they are made available to the competent authorities as quickly as possible. These records shall include, at a minimum, the following:
 - 2.1. Copies of all records obtained through the due diligence process in verifying transactions, including documents proving the identities of beneficial owners, accounting files, and business correspondence.
 - 2.2. All records of domestic and international transactions, whether actually executed or attempted, provided that these records are sufficiently detailed to allow for a reconstruction of each transaction's steps.
 - 2.3. Records related to the risk assessment or any information required to conduct or update it.
3. Adopting programs to prevent money laundering and terrorist financing, including:
 - 3.1. Conducting an assessment of the money laundering and terrorist financing risks to which the entity is exposed.
 - 3.2. Adopting internal policies, procedures, and controls appropriate to the implementation of the obligations imposed in the field of combating money laundering and terrorist financing.
 - 3.3. Conducting an independent audit to test the effectiveness of policies and procedures and the extent of their implementation.



Article 22: The Board's Relationship with Stakeholders

1. The Board shall provide a specific mechanism to ensure communication with stakeholders through effective disclosure and the provision of meaningful information about the Bank's activities to stakeholders through the following:
 - 1.1. General Assembly meetings
 - 1.2. The annual report and governance report
 - 1.3. Quarterly reports containing financial information, in addition to the Board's report on the trading of the Bank's shares and its financial position during the year.
 - 1.4. The Bank's website
 - 1.5. A report from the Shareholder Relations Department
2. The need to vote separately on each issue raised at the annual General Assembly meeting shall be taken into account.
3. After the annual General Assembly meeting, shareholders' reports shall be prepared on the observations made during the meeting, the results, and the decisions, including the voting results, the questions raised by shareholders, and the executive management's responses.
4. The Board shall ensure effective dialogue with shareholders by providing the following elements, as a minimum:
 - 4.1. Ensuring that Board members are informed of the views of shareholders, particularly regarding strategies The Bank and Governance Systems.
 - 4.2. Holding periodic meetings with major shareholders, non-executive members, and independent members to obtain their views and perspectives on the Bank's strategies.
 - 4.3. Disclosing in the annual report the steps taken by its members, particularly non-executive members, to reach an agreement and a shared understanding of the views of major shareholders regarding the Bank's performance. The heads of the Audit and Nomination and Remuneration Committees, and any other committees established by the Board, must attend the annual General Assembly meetings.
5. The external auditor or their representative must attend the annual General Assembly meeting, submit the report, and answer inquiries.

Article 23: Disclosure and Transparency

1. The Board shall ensure the publication of financial and non-financial information of interest to stakeholders.
2. The bank's annual report must include a statement stating that the Board is responsible for the accuracy and adequacy of the bank's financial statements and the information contained in that report, as well as for the adequacy of internal control and oversight systems.
3. The Board shall ensure that the bank complies with the disclosures specified by the International Financial Reporting Standards (IFRS), the Central Bank's instructions, and other relevant legislation and instructions. It shall also ensure that executive management is aware of any changes to IFRS and other relevant standards.
4. The Board shall ensure that the bank's annual report and quarterly reports include disclosures that enable stakeholders to view the results of operations and the bank's financial position.
5. Disclosures should preferably be made in both Arabic and English.
6. The Board shall ensure that the annual report includes, at a minimum, the following:
 - 6.1. The bank's organizational structure, indicating the committees established by the Board of Directors.
 - 6.2. A summary of the roles and responsibilities of the Board's committees.



- 6.3. Information of interest to stakeholders specified in the bank's Corporate Governance Manual, and the extent of its compliance with the provisions of the Manual.
- 6.4. Ensure the preparation of the bank's governance report and its inclusion in the annual report.
- 6.5. Information about each board member, including their qualifications, experience, shareholding in the bank's capital, membership in board committees, date of appointment, attendance at board meetings, any memberships they hold on other company boards, any remuneration they receive from the bank, if any, for the previous year, loans granted by the bank, and any other transactions between the bank and the member, or between related parties.
- 6.6. Information about risk management, including its structure, nature of operations, and developments.
- 6.7. The number of times the board and its committees meet, and the number of times each member attends these meetings.
- 6.8. The code of conduct for business management, and the names of each board member, executive management member, and those who resigned during the year.
- 6.9. A summary of the bank's remuneration policy, including all remunerations and bonuses granted to executive management for the preceding year.
- 6.10. The names of shareholders who own 1% or more and related groups that own 5% or more of the bank's capital, identifying the beneficial owner of these contributions, or any portion thereof, and clarifying whether any of these contributions are fully or partially pledged.
7. Publishing a report on corporate governance practices.
8. The bank's sustainability policy and its actions.

Article 24: (Shareholders' Rights)

1. Shareholders shall have access to all relevant information that enables them to exercise their rights fully, on a regular basis and without delay.
2. Participate and vote in General Assembly meetings, taking into account the issues shareholders wish to raise at such meetings.
3. Discuss the topics included on the General Assembly's agenda and direct inquiries to Board members.
4. Elect members of the Bank's Board of Directors.
5. Provide shareholders with information about the location, date, and agenda of the General Assembly meeting at least 30 days prior to the meeting.
6. Nominate, elect, and terminate the service of Board members, inquire about their qualifications, experience, and ability to perform their duties, and discuss the amount of remuneration and financial incentives received by Board members and senior executives. They also have the right to submit any inquiries to the Board regarding any unprofessional practices.
7. Small shareholders have the right to elect one or more members to represent them on the Board of Directors based on the cumulative voting mechanism.



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Appendix 1 - Principles of Sustainability Standards

Principles	Text
Business Activities: Banking and Environmental Risk Management	Integrating environmental and social considerations into the decision-making process related to the organization's activities to avoid, reduce or compensate for negative impacts.
Business Operations Environment and Social Footprint	Avoid, reduce or offset the negative impacts of the business operations on the local communities and environment in which it operates and, where possible, enhance positive impacts.
Human Rights	Respect for human rights in the company's operations and business activities.
Women's Economic Empowerment	Promote women's economic empowerment through a gender-inclusive workplace culture in the organization's business operations and work to search for products and services specifically designed for women through business activities.
Financial Inclusion	Striving to provide financial services to individuals and communities that are considered traditional and have limited or no access to the formal financial sector.
Governance	Implementing strong and transparent governance practices in organizations.
Capacity Building	Develop the individual and sectoral institutions necessary to identify and manage the social and environmental risks and opportunities associated with business activities and operations.
Collaborative Partnerships	Collaborate with all sectors and leverage international partnerships to accelerate collective progress and improve the sector as a single entity, ensuring the organization's vision aligns with international standards and local development requirements.
Reports	Regularly review and revise reports on progress towards meeting these principles at the individual institution and sector level.



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