

البنك العربي  
ARAB BANK



# COPORATE GOVERNANCE CODE

**Arab Bank plc**

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## **Introduction**

Arab Bank attaches considerable importance to good corporate governance practices and the Board is committed to implementing the highest professional standards in all the Bank's activities. In this regard the Bank follows the instructions of the Central Bank of Jordan which adopted the Basel Committee's recommendations on Corporate Governance. The Bank also observes the requirements of the relevant regulatory / official entities in Jordan and in the other countries in which it operates.

A pioneer to commit to best practices of Corporate Governance in the Middle East, Arab Bank established the Audit Committee in early 1996 followed by the Corporate Governance Board Committee in 2002. The Nomination and Remuneration Committee was established in 2006, while the Risk Management Committee and the Strategy Committee were formed in 2007. The Bank established the Credit Committee in 2010, the IT Governance Committee in 2017 and the Compliance Committee in 2018.

This Corporate Governance Code is based on the Instructions of Corporate Governance for Banks issued by the Central Bank of Jordan no. (2/2023) and after aligning it with the Jordanian Banking Law, the Companies Law in addition to the Memorandum and Articles of Association of the Bank.

This Code will continue to be reviewed and developed from time to time and whenever necessary to meet the Bank's changing needs and expectations and to keep up with the changes that may occur in the legislations organizing operations and the marketplace.

## **Article (1): Commitment to Corporate Governance**

There is a consistent set of relationships between the Bank, its Board of Directors, the stakeholders and other interest groups. The relationship structure deals with the general framework of the Bank's strategy and the necessary means to achieve its goals. The general framework of corporate governance ensures a fair treatment of all shareholders including minority and foreign shareholders. The Bank also recognizes the rights of all shareholders as stipulated by the law, and assures providing them with all necessary information on the Bank's activities and the commitment of its Board members and their accountability to the Bank and its Shareholders.

The Bank has amended this Code in compliance with the instructions of the Central Bank of Jordan issued in its circular No. 58/2014 "The Corporate Governance Regulations for Banks" and in alignment with its needs and policies. This Code has been approved by the Board of Directors in its meeting of 29/1/2015 and has been amended on 28/1/2016, as on 27/10/2016 this Code was amended in compliance with the requirements of the Amended Corporate Governance Regulations for Banks issued by the Central Bank of Jordan No. 63/2016, and Arab Bank updated its Corporate Governance Code on 30/4/2023 after the issuance of the Corporate Governance Regulations no. (2/2023) issued by Central Bank of Jordan. An updated version has been posted on the Bank's website. It is also available to the public upon request. The Bank discloses its compliance with the Corporate Governance Code in its Annual Report.

## **Article (2): Definitions**

In this Code (and unless the context requires otherwise) the following words and expressions shall have the meanings respectively assigned to them herein below:

- a) **Corporate Governance:** The system of rules by which the Bank is directed and controlled and which essentially involves identifying the Bank's corporate objectives and the framework for attaining them, the safe operation of the Bank's business, securing the interests of depositors, shareholders and other stakeholders, and compliance with the Bank's bylaws and internal policies.
- b) **Stakeholders:** any person/group/organization that has interest or concern in the Bank such as depositors, shareholders, employees, debtors, customers or competent regulatory authorities.
- c) **The Board:** the Board of Directors of the Bank.
- d) **An Independent Director:** a member of the Board apart from major shareholders - and who is not under control of any of them - and who has financial or banking qualifications and who satisfies the conditions set out in Article (4/e) of this Code.
- e) **An Administrator:** a member of the Board whether in his personal capacity or as a representative of a legal entity, the Chief Executive Officer or any employee in the Bank.
- f) **Senior Executive Management:** includes the Chief Executive Officer, Deputies to the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Credit Officer, Chief Risk Officer, Head of Group Internal Audit, Head of Treasury, Head of Regulatory Compliance in addition to any other Bank employee who maintains a parallel functional level and an executive authority that is equal to the

authority of any of the aforementioned and/or reports directly to the Chief Executive Officer.

- g) Fit and proper / Suitability:** certain requirements and standards relating to honesty, integrity, reputation, competence and qualifications in accordance with the requirements contained in this Code to be present in those nominated to be members of the bank's board and the Senior Executive Management.
- h) Major Shareholder:** The person holding not less than (5%) of the Bank's share capital whether directly or indirectly.
- i) Consulting Position:** the position whose occupant has a contract or agreement with the Bank to provide temporary consulting services, or who does so under an annual contract.
- j) External Auditor:** includes the audit office, partners in the audit office, and audit team members.
- k) Audit Office:** the office through which the audit team practices the profession and is registered with the Companies Control Department at the Ministry of Industry, Trade and Supply (or the relevant competent authority in the countries in which the Bank operates) as a civil company to practice the profession in accordance with the legislations in force.
- l) The Partner in charge of the Audit:** the licensed partner in the Audit Office who is responsible for the audit task and for the report issued on behalf of the Audit Office, and who possesses the experience, academic qualifications, and professional certificate that qualify him/ her to sign off the Audit Report.
- m) Audit Team:** The audit team members who perform audit procedures under the supervision of the Partner in charge of the Audit. This does not include members of the additional service team outside the scope of the audit services.

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

- a) The Board shall be comprised of eleven non-executive members who shall be elected by the General Assembly for a term of four years. The Chairman and Deputy Chairman shall be elected by the members of the Board.
- b) The Board shall have one third of its members as independent with a minimum of four members.
- c) Neither the Chairman nor any board member has the right to combine their position with any executive position or any position under which they participate in managing the daily work of the bank or any consulting position therein.
- d) The diversity and integration of skills and experiences amongst board members shall be taken into account to provide a wide range of visions and viewpoints in line with the size of the Bank, the nature of its activity and strategy.

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

- a) The Board of Directors shall approve an effective policy to ensure Suitability of its members provided that the said policy includes the minimum standards, requirements and conditions that a nominated member should fulfil and that such policy be reviewed whenever necessary. Sufficient procedures and controls should also be identified to ensure that all members fulfil those criteria and continue as such.

- b) The Chairman or Board members should meet the following criteria:
1. He/she shall not be less than twenty-five years of age.
  2. He/she shall not be a member of the Board of any other bank in Jordan or its General Manager or employee unless the other bank is a subsidiary of Arab Bank.
  3. He/she shall not be the Bank's lawyer, legal advisor, auditor or a counselor to any other bank inside the Kingdom.
  4. He/she shall hold a bachelor degree, at a minimum, in economics, finance, accounting or business administration or any other similar fields. The Nomination and Remuneration Committee has the right to consider similar fields (such as law and information technology) if coupled with banking business expertise or activities relating thereto in accordance with Paragraph (3/d) of this Code.
  5. He/she shall not be a government employee or employee of any official public institution unless he/she is a representative of that entity.
  6. He/she shall not be a member of the board of directors of more than five public shareholding companies in the Kingdom whether in a personal capacity or as a representative of a legal entity.
  7. He/she shall possess expertise of not less than 5 years in banking, finance, economic or other fields related to banking activities.
  8. He/she does not have any relationship, including kinship up to the third degree, with the Chief Executive Officer of the Bank, and of the first degree, with any other member of the Senior Executive Management.
- c) The Central Bank of Jordan's no-objection shall be obtained prior to the nomination of any person (and of the nomination of the representative of the legal entity including temporary representative of any government entity, public institution or public legal entity institution) to the board membership. The Bank shall attach in its no-objection request the Board's decision, the recommendation of the Nomination and Remuneration Committee, which includes its view of the added value that the nominated member will provide for the Board's responsibilities, the declaration and its attachment, the declaration of the Independent Member, the candidate's CV, all academic and experience certificates, no criminal record certificate, and a copy of the identification card (passport for non-Jordanians). The Chairman shall ensure that any critical information that may adversely affect the suitability of any Member thereof and of the representative of the legal entity is disclosed to the Central Bank of Jordan.
- d) The Nomination and Remuneration Committee shall specify the necessary conditions that ensure the independence of the Director, which shall include, at a minimum, the following conditions:
1. He/she shall be a natural person.
  2. He/she has not been employed by the Bank or any of its subsidiaries or worked as a consultant to the Bank or to any of its subsidiaries in the three years preceding the date of his/her nomination.

2. He/she is not a relative up to the second degree of any of the other members of the Board or any member of board of directors/management committees of the Bank's subsidiaries or any of the Bank's Major Shareholders.
  3. He/she is not a relative of any of the Senior Executive Management members of the Bank or any of the senior executive management members of any of the subsidiaries of the Bank up to the second degree and is not a relative to the Chief Executive Officer up to the third degree.
  4. He/she is not a partner or employee of the External Auditor of the Bank, or has been such a partner or employee during the past three years preceding the date of his/her nomination.
  5. He/she is not a Major Shareholder in the Bank or an associate of a Major Shareholder in the Bank, nor should his shareholding constitute, along with his associate shareholder, a major shareholding, nor is he a major shareholder of ~~one~~ any of the Bank's subsidiaries.
  6. He/she has not been a member of the Board of Directors of the Bank or any of its subsidiaries or their management committee for more than eight combined years for the aforementioned memberships, and if any member has lost his/ her independence pursuant to this item, the Bank has the right to follow a cooling-off period of at least four consecutive years and in the event of having sufficient justifications, obtain the Central Bank of Jordan no-objection to consider him/her as an independent member.
  7. Neither he/she nor his/her spouse or any of his relatives of the first degree, or through any other company in which he/she is a board member or owner or a major shareholder or a senior executive management member, have obtained credit facilities from the Bank in excess of 5% of the Bank's regulatory share capital, nor is a guarantor of a facility in an amount in excess of the said percentage.
- e. The Board shall have the right, if it deems it necessary and for clear and specific justifications, to appoint a consultant, which shall be within the tasks scope consistent with the nature of the consultant's work, and shall not include supervisory or executive tasks in any way, and shall be within a specific timeframe and shall not negatively affect the Board's role of overseeing the Bank's business in line with its responsibilities as stipulated in the legislations, including the Banking Law. The Central Bank of Jordan's no-objection should be obtained for this appointment.

## **Article (5): The Board of Directors' Responsibilities**

### **First: The Board of Directors shall:-**

- a) Oversee the executive management and approve a policy for monitoring and reviewing its performance, to achieve the corporate goals and ensure the soundness of all Bank operations.
- b) Specify the strategic objectives of the Bank, instruct the executive management to set a strategy for achieving those objectives and approve the strategy and such work plans that are compatible therewith.

- c) Ensure the availability of policies, plans and procedures for all the Bank's activities and that such policies, plans and procedures are in compliance with the relevant applicable legislation, are being circulated to all levels of management and are being regularly reviewed.
- d) Identify the Bank's corporate values alongside setting and enforcing clear lines of responsibility and accountability throughout the Bank, as well as establish a corporate culture of high ethical standards and integrity and professional conduct of the Administrators of the Bank.
- e) Bear the ultimate responsibility of carrying out the Central Bank of Jordan's requirements and those of other related regulatory authorities in relation to the Bank's business safeguarding the interests of the Stakeholders, ensuring that the Bank is being operated in accordance with its bylaws and internal policies and that effective supervision over the activities of the Bank, including those outsourced, is always available.
- f) Taking into account Article (9/c) of this Code, the Board, upon the recommendation of the Nomination and Remuneration Committee, shall approve the appointment, resignation or termination of service of the Chief Executive Officer, the Head of the Internal Audit Division and the Heads of the Compliance Division and the Risk Management Division.
- g) Approve and continuously monitor the implementation of a risk management strategy including the Bank's risk tolerance/appetite and ensure that the Bank is not exposed to high risks, that the Board is cognizant of the operational environment and associated risks and that all needed risk management instruments and infrastructure are available and able to identify, measure, analyze, assess and monitor all kinds of risks to which the Bank may be exposed to.
- h) Ensure an adequate and reliable information management system (MIS) covering all the activities of the Bank.
- i) Ensure that the Bank's credit policy includes a corporate governance evaluation for its customers of public shareholding companies whereby the risk is evaluated by weakness and strength points according to their corporate governance level.
- j) Set an environmental and social policy, The policy shall include the Bank's disclosures of the initiatives it conducts in this regard within its annual report and/or sustainability report. Such initiatives shall at least be:
- Social initiatives in protecting the environment, health and education.
  - Social initiatives to fight poverty and unemployment.
  - Encouragement of micro and medium finance.
  - Participation in initiatives of added economic value to the society.



- k) Adopt sufficient measures to ensure clear separation of powers between Major Shareholders on the one part and the executive management of the Bank on the other.
- l) Approve the Bank's overall Organizational Chart.
- m) Approve the strategies and general policies of the. Approve a corporate governance code at the Group level taking into account the regulations issued in this regard by regulatory authorities in the countries in which the subsidiaries operate.
- n) Determine the banking operations, which require the approval of the Board of Directors while not expanding the scope that require the Board's approval in order not to prejudice the supervisory role of the Board. The Board shall not be granted any executive authorities including granting credit authorities to a single Board Member including the Chairman.
- o) Approve the internal control systems of the Bank.
- p) Ensure the constant independence of the external auditor.
- q) Approve a succession policy and approve a policy for human resources and training.
- r) Set and adopt a code of conduct for the Board of Directors, the Executive Management and the employees and review it annually.
- s) Establish Board Committees and determine their responsibilities.
- t) Appoint the Secretary of the Board, terminate his/her services, determine his/her responsibilities, compensations and remunerations. His/her responsibilities shall include: -
  - 1. Attend all meetings of the Board and accurately record all deliberations, suggestions, objections, reservations, and voting methods on the draft Board resolutions.
  - 2. Set the dates for the Board meetings in coordination with the Chairman.
  - 3. Ensure that all Board members sign the meetings minutes and resolutions.
  - 4. Follow-up on the implementation of the Board resolutions and following up on any topics postponed from previous meetings.
  - 5. Maintain records and documents of board meetings.
  - 6. Ensure that the draft resolutions intended to be issued by the Board are consistent with the applicable legislations.
  - 7. Prepare for the General Assembly meetings.
  - 8. Cooperate with the Board's Committees.
  - 9. Submit the suitability attestations of the Board members to the Central Bank of Jordan.
- u) Enable direct communication between members of the Board of Directors and its Committees with the Senior Executive Management and the Secretary of the Board and facilitate the performance of their responsibilities provided that the members of

the Board do not influence the decisions of the Senior Executive Management except through deliberations conducted during the meetings of the Board or its Committees.

- v) Undertake due diligence measures when deciding on any of the issues related to the Bank's business, and observe sound bases in the decisions taken in this regard in a manner that guarantees carrying out its duties at highest levels of professionalism.
- w) Determine the highest limits of the authorities granted to the Credit Committee in relation to granting, adjusting, renewing, restructuring, scheduling, or settling the credit facilities whereby there are clear authorities for the Board.

**Second: The Chairman of the Board, at a minimum, shall undertake the following responsibilities:-**

- a) Encourage a constructive relationship between the Board of Directors and the Bank's Senior Executive Management.
- b) Encourage expression of views on issues discussed in general, and on those that raise different points of view amongst the Members and encourage discussion and voting on such issues.
- c) Encourage thorough discussions of strategic and critical issues by the Board.
- d) Ensure that the Board members are provided with the minutes of previous meetings and are signed, and ensure timely provision of board meetings' agendas provided that the said agendas contain sufficient information about the items that will be discussed in the meeting. The Secretary of the Board shall be responsible for providing the Board members with the documents.
- e) Ensure that there exists a charter that sets out the Board of Directors' mandate and scope of work.
- f) Ensure providing each Board Member, upon his election, with the laws that govern Bank's activities and the instructions of the Central Bank of Jordan including this Corporate Governance Code and a manual outlining the rights, responsibilities and duties of the Member and the duties of the Secretary of the Board.
- g) Ensure providing each member with comprehensive summary of the Bank's activities upon his/her election or request.
- h) Discussing with each new member, and in cooperation with the Bank's Legal Counsel / Head of Legal Affairs Division and the Secretary of the Board, the duties of the Board and in particular issues pertaining to the legal and regulatory requirements to clarify the responsibilities, authorities and other matters regarding the membership including the term of the membership, dates of the meetings, responsibilities of the Committees, the amount of remuneration and the ability to obtain an independent specialized opinion if the need arises.

- i) To accommodate the Board members' needs for continuous enhancement of their knowledge and expertise and to allow new Board members, taking into consideration his/her banking background, to join an orientation program that includes at the minimum:
  - 1. The organizational structure of the Bank, corporate governance and the code of conduct.
  - 2. The corporate objectives, the Bank's strategic plan and approved policies.
  - 3. The financial position of the Bank.
  - 4. The Bank's risk structure and the risk management framework.

**Third: Members of the Board of Directors shall:-**

- a) Have adequate knowledge of applicable legislation and principles pertaining to the banking industry and the operational environment of the Bank and keep up with major changes in these fields.
- b) Attend Board meetings, Board Committees and the General Assembly meetings.
- c) Dedicate enough time to fulfill his/her duties as a member of the Board of Directors.

**Fourth: The Board responsibilities with respect to disclosure and transparency are as follows:-**

- a) Develop a specific mechanism to guarantee communication with Stakeholders by disclosing and providing relevant information about the Bank's activities through:
  - 1. General Assembly meetings.
  - 2. Annual Report.
  - 3. Quarterly financial reports which enclose financial data, and the Board's report on the Bank's share trading and its financial status during the year.
  - 4. The Bank's website.
  - 5. Shareholders' division.
- b) Make sure to designate part of the Bank's website to clarify shareholders' rights and to encourage them to attend and vote at the General Assembly meetings. The documents of the General Assembly meetings, including the invitation and minutes of meetings shall also be published on the website.
- c) Ensure that all financial and non-financial information that are of interest to the Stakeholders are published at the proper time.
- d) Make sure that the corporate governance code is published on the Bank's website and the annual report shall include a statement to the effect that the Board is liable for the accuracy and completeness of the financial statements of the Bank and all other information in the report in addition to the adequacy of the internal control systems.

- e) Ensure that the Bank's financial disclosures are consistent with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Central Bank of Jordan regulations, and other relevant legislations and also that the executive management is aware of changes and updates on the related International Financial Reporting Standards.
- f) Ensure that the Bank's annual and quarterly reports identify key financial and operational results that enable the shareholders to understand the financial position of the Bank.
- g) Ensure that the annual report includes, at a minimum, the following information:
  - 1. Summary of the organizational chart of the Bank;
  - 2. Summary of the Board Committees' roles, and any authorities delegated to the Committees;
  - 3. Useful information to Stakeholders as identified in the Bank's Corporate Governance Code;
  - 4. Information about each Board member in terms of his/her qualifications, experience, shareholding, whether independent or not, membership in Board Committees, date of appointment, any other board memberships in the boards of other companies and remunerations in all forms obtained from the Bank for the previous year in addition to loans granted to the member by the Bank and any other transaction that undertaken between the Bank on the one part and the member or related parties on the other;
  - 5. Information on the Risk Management Division, including its structure and nature of its operations and its development;
  - 6. Number of Board's and Board Committees' meetings and attendance of each member at such meetings;
  - 7. Names of each board member and senior executives who have resigned during the year;
  - 8. Summary of the Bank's remuneration policy and full disclosure of all forms of remuneration to the Senior Executive Management individually for the previous year;
  - 9. A list of shareholders who own 1% or more of the share capital of the Bank, the ultimate beneficiary owner of such shareholdings or any part thereof, in addition to a clarification as to whether the shareholdings are wholly or partially pledged;
  - 10. Attestations of all Board members confirming that the member did not receive any undeclared benefits from the Bank during his/her tenor, whether personally or for any relative related to him/her for the previous year.

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

- a) The Board shall meet not less than 6 times per year.
- b) With observance to the provisions of Article (7/Second/g/1) of this Code, the quorum for any committee meeting shall not be less than (3) members, including the committee Chairman. It is not permissible to nominate an alternate member in any committee meeting in the absence of any member.
- c) With the observance to the provisions of Article (5/First/t/3) of this Code, the Board members shall have the right to attend its meetings and those of its committees by

any means of conferencing (telephone or video) provided that the Chairman and the Board Secretary shall endorse the minutes of the board meeting and its legal quorum and the Committee Chairman and Secretary shall endorse the minutes of the Committee and its legal quorum.

- d) The Senior Executive Management should provide the Members of the Board with the agenda of the meeting and all relevant documents prior to the meetings and the Chairman should ensure that
- e) Deliberations and proceedings of the meetings of the Board and its Committees shall be fully and accurately noted down along with any reservation that may be voiced by any member. The Bank shall duly and properly keep such minutes.

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

**First:** Board Committees shall be formed by the Board from among its members. The Board shall approve a charter for each committee that includes as a minimum the committee composition, its responsibilities and authorities, frequency and quorum of its meetings, nomination of secretary thereof and defining his/her duties including recording all discussions, suggestions, objections, reservations and methods of voting accurately on the drafted committee decisions. These committees shall periodically submit reports to the Board of Directors. The formation of these Committees shall not exonerate the Board from its responsibilities.

**Second:** The Board shall form the following committees as a minimum, in which a member of the Board of Directors cannot be Chairman of more than one of these Committees (Corporate Governance, Audit, Nomination and Remuneration, Risk Management and Compliance Committees). Moreover, a member of the Board of Directors cannot be a chairman of more than two Board Committees. It is prohibited to delegate the authorities of any Board committee mentioned hereof to any other party, it is also prohibited from forming any committee that has any executive authorities, with the exception of the Credit Committee stipulated in this Code:

### **a. The Corporate Governance Committee:**

- 1. The Committee shall comprise of, at least, three Board members provided that the majority of the members are independent directors and should include the Chairman of the Board. The Chief Executive Officer may be invited to attend the meetings of the Committee.
- 2. At the invitation from the Committee's Chairman, the committee shall meet at least twice during the year.
- 3. Quorum of the meeting shall be deemed legal if attended by three members including the committee Chairman. The Committee members have the right to attend its meetings by any means of conferencing (telephone or video) provided that the Committee Chairman and the Board Secretary shall endorse the minutes of the meeting and the legal quorum.
- 4. The committee shall take its decisions by a majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. The votes can be cast by any means of conferencing (telephone or video) when the personal presence of the member is not possible.

5. The Corporate Governance Committee shall undertake the following:
  - a. Oversee the preparation of a corporate governance code and its approval from the Board. This code should be updated whenever necessary.
  - b. Establish written work procedures to implement the regulations for Corporate Governance, review them and evaluate their implementation annually.
  - c. Ensure that the Bank complies with the corporate governance regulations issued by the regulatory authorities.
  - d. Review the regulators' observations regarding the implementation of corporate governance in the Bank and follow up on what has been done in this regard.
  - e. Verify that the observations contained in the report of the Internal Audit Department- or any other relevant party - have been corrected in relation to the Bank's compliance with the corporate governance code.
  - f. Inform the Central Bank of Jordan immediately upon the verification of any violations of the provisions and requirements of these instructions.
  - g. Prepare the corporate governance report and submit it to the Board.

**b. The Audit Committee:**

1. The Audit Committee shall be comprised of a chairman and two members at least, provided that the chairman and at least another member are independent members and also provided that the chairman of the Committee shall not be the chairman of any other Board Committee. The committee shall not include the Chairman of the Board. The Chief Executive Officer may be invited to attend the meetings of the Committee.
2. The Audit Committee members must have academic qualifications in the fields of accounting, finance or have professional certifications in these two areas. They must also have relevant experience in the fields of accountancy, finance, external audit, internal audit, or banking.
3. The Audit Committee shall meet periodically every three months as a minimum, provided that the number of its meetings is not less than four times per year, and that the minutes of these meetings are duly recorded.
4. The quorum for Audit Committee meeting shall not be less than (3) members, including the committee Chairman. The meeting may be attended by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.
5. The committee shall take its decisions by a majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by video phone communication are allowed when the personal presence of the member is not possible.
6. The Audit Committee shall review the following:
  - a) The scope, results and adequacy of the Bank's internal and external audits.
  - b) Accountancy issues that will have a significant impact on the Bank's financial statements.
  - c) The Bank's internal controls.
7. The Audit Committee shall submit its recommendations to the Board regarding the external auditor's appointment / termination of appointment, remuneration, and

other terms of engagement including any other responsibilities that the committee intends to assign him, in addition to assessing the independence of the external auditor.

8. The Committee has the authority to obtain any information from executive management directly or through the Internal Audit Manager, and summon any executive to attend its meetings.
9. The Audit Committee shall meet, at least once a year and separately with each of the Bank's external auditor, the Internal Audit Division Manager and Compliance Manager without the presence of any other member from the Senior Executive Management.
10. The Audit Committee shall review and monitor the procedures that enable employees to confidentially communicate any error in the financial reports or any other observation. The Committee shall ensure proper arrangements to ascertain an independent investigation of that and follow up the results and solving them objectively.
11. The Committee shall evaluate the performance of the Internal Audit Manager and determine his/her remuneration in accordance with the performance appraisal policy approved by the Board.
12. The Committee shall undertake the following:
  - a) Verify the availability of sufficient resources and a sufficient number of qualified human staff for the Internal Audit Division and enrolling them in specialized training programs, including those in the field of corporate governance.
  - b) Verify that the Internal Audit staff are rotated to the Bank audit activities every three years as a maximum. In the event of the inability to achieve this in certain areas, the Committee's approval shall be taken regarding the justifications for non-compliance, especially in specialized cases such as the information technology and cybersecurity audit.
  - c) Verify that the Internal Audit staff are not assigned any executive tasks.
  - d) The Committee shall ensure that all activities of the Bank are subject to audit -in accordance with the risk- based approach including outsourced activities.
  - e) The Committee shall verify that the Internal Audit Division complies with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA), including conducting an independent external evaluation of the internal audit activity at least once every five years and providing the Central Bank of Jordan with a copy thereof.

**c. The Nomination & Remuneration Committee:**

1. The Nomination and Remuneration Committee shall be comprised of at least three Board members the majority of whom including its Chairman shall be Independent members. The Chief Executive Officer may be invited to attend the committee's meetings.
2. The Committee shall meet at least twice during the year.
3. The quorum for Nomination and Remuneration Committee meeting shall not be less than (3) members, including the committee Chairman. The meeting may be attended

by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.

4. The committee shall take its decisions by a majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by any means of communication (video or telephone) are allowed when the personal presence of the member is not possible.
5. Duties and responsibilities of the Nomination and Remuneration Committee shall be as follows:
  - a) Studying the suitability of qualified candidates for the membership of the Board of Directors taking into consideration the candidates' qualifications and skills and submitting proper recommendation thereon to the Board. In case of re-nomination, the regular attendance of such candidate of Board and committees meetings and active participation in the meetings shall be taken into consideration.
  - b) Identify competency requirements at the Senior Executive Management level and the basis for their selection and recommend to the Board the qualified candidates for appointment in Senior Executive Management jobs.
  - c) Ensuring that Board members attend workshops or seminars related to Banking topics with particular emphasis on Risk management, Corporate Governance and other latest updates in the banking industry.
  - d) Defining and annually reviewing the fulfilment of criteria that designates a member as independent, taking into consideration the minimum conditions stipulated for in the Corporate Governance Code issued by the Bank, putting and periodically reviewing the methodology for examining the conditions of independence. The Central Bank of Jordan shall be provided with any updates on the independence of any of the independent members.
  - e) Annually assessing the performance of the Board as whole, and of its individual committees and members, while following the committee's defined and approved assessment basis that is built on an objective assessment standard. The results of this assessment shall be duly reported to the related regulatory authorities. The board members (other than those of the Nomination and Remuneration Committee) shall, on an annual basis, assess the performance of the Nomination and Remuneration Committee and its individual members.
  - f) Review the succession plan policy and the policy for human resources and training and monitor their implementation annually.
  - g) Providing, upon request, background information and summaries to the members of the Board regarding certain significant matters about the Bank and ensure keeping the members up with material updates in the Banking industry.
  - h) Developing Performance Appraisal and Performance Incentives Policies for executives and that such policy are being periodically reviewed. These policies include a mechanism for determining the salaries, the compensation and benefit plan for the Chief Executive Officer and other senior executive managers. The committee does not have the right to delegate this task to the executive management, and this policy shall be approved by the Board.
  - i) Creating a clear methodology to ascertain that a member of the Board dedicates adequate time to carry out their duties as a Board member.



#### **d. The Risk Management Committee:**

1. The Risk Management Committee shall be comprised of, at least, three Board members, the majority of whom, including the Chairman, should be independent members. The Chief Executive Officer may be invited to attend the meetings of the Committee.
2. The Committee shall meet at least once every three months and whenever necessary.
3. The quorum for Risk Management Committee meeting shall not be less than (3) members, including the committee Chairman. The meeting may be attended by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.
4. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by any means of communication (video or telephone) are allowed when the personal presence of the member is not possible.
5. Duties and responsibilities of The Risk Management committee shall include:
  - a) Ensuring the availability of a comprehensive risk management strategy for the Bank that includes the type and level of risk appetite for all Bank's activities.
  - b) Verifying the availability of policies and tools for identifying, measuring, analyzing, assessing and controlling risks while reviewing such on an annual basis to ensure their effectiveness and amending them when necessary.
  - c) Verifying the availability of a risk management system that ensures the accuracy and adequacy of the data used to identify, measure, analyze, assess and control the risks and losses that may result from them, and maintain the necessary capital to meet them.
  - d) Ensuring the effectiveness of the risk management division's work procedures and assessing the extent to which the executive management abide by the approved policies and procedures.
  - e) Ensuring the availability of risk management means that help in risk management, including but not limited to:
    - Risk self-assessment and developing risk indicators.
    - Preparing a historical database of losses, identifying the sources of such, and classifying them according to the type of risk.
    - The availability of the necessary equipment, appropriate automated systems and quantitative methods.
  - f) Ensuring the availability of sufficient resources and enough qualified human staff for the Risk Management Division and enrolling the latter in specialized training programs.
  - g) Assessing the performance of Risk Management Manager and determining his/her remunerations in accordance with the performance appraisal policy approved by the Board, after seeking the opinion of the Chief Executive Officer.
  - h) Review the Group Risk Management structure and obtain the Board's approval.
  - i) Annual review and approval of credit risk appetite limits for Arab Bank and lending limits authority for the Subsidiaries.
  - j) Annual review and approval of group risk appetite for operational, market and liquidity risks.

- k) Reporting to the Board periodically on the risks to which the Bank is exposed to, including the exceeding of the accepted risk appetite levels and the procedures to treat them.
- l) To create proper conditions that would ensure that all significant risks and any activities performed by the Bank that may expose it to higher than the acceptable risks are well identified, and to submit reports of the same to the Board of Directors and to follow up on them and find solutions thereof.
- m) Review the results of the Internal Capital Adequacy Assessment Process (ICAAP).
- n) Review the Recovery Plan according to the requirements of the Central Bank of Jordan.
- o) Oversee/review the performance of credit portfolios.
- p) Review the results of stress testing periodically.
- q) Oversee the development of the database necessary for risk management.
- r) Discuss risk management reports.
- s) Ensure that there is a business continuity plan and review it periodically.
- t) Ongoing monitoring of risk factors that might affect the risk profile of the Bank.
- u) Supervising and providing support to the Board of Directors regarding Environmental, Social and Governance (ESG) topics, including approving policies and strategies related to them, reviewing the risks associated with them, and reviewing updates to environmental, social and governance programs.

**e. The Compliance Committee:**

1. The Compliance Committee shall be comprised of at least three Board Members provided that the majority of the members are independent directors. The Chief Executive Officer may be invited to attend the meetings of the Committee.
2. The Committee shall meet at least once every three months and whenever necessary.
3. The quorum for Compliance Committee meeting shall not be less than (3) members, including the committee Chairman. The meeting may be attended by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.
4. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by any means of communication (video or telephone) are allowed when the personal presence of the member is not possible.
5. In addition to what is stated in the relevant legislation, the committee undertakes the following roles:
  - a) Ensuring the availability of the Bank's compliance policy and procedures issued pursuant thereto, in order to guarantee the establishment of a compliance function capable of performing its tasks effectively. The committee should conduct, at least once a year, an assessment of the effectiveness of the Bank's management for the risks of non-compliance.
  - b) Approving the annual plan and reviewing the periodic reports prepared by the Compliance Division, which include non-compliance risks assessment, violations, deficiencies and corrective measures taken.

- c) Overseeing the implementation of the Bank's compliance policy, and making sure that the Bank's executive management resolves all compliance-related issues in an appropriate and effective manner.
- d) The Committee shall supervise and monitor the operations of the Compliance Division and ensure that the Bank is in full compliance with the applicable legislations, regulatory requirements and international standards, including the recommendations of the Financial Action Task Force (FATF).
- e) Assessing the performance of the Chief Compliance Officer and defining his/her remunerations in accordance with the performance appraisal policy approved by the board, after seeking the opinion of the Chief Executive Officer.
- f) Ensuring the availability of sufficient resources and qualified human staff for the Compliance Division and enrolling the latter in specialized training programs.

**f. The Corporate Strategy Committee:**

- 1. The Corporate Strategy Committee shall be comprised of three Board members at least in addition to the Deputy Chairman of the Board, Chief Executive Officer.
- 2. The Committee shall meet whenever necessary.
- 3. The quorum for Corporate Strategy Committee meeting shall not be less than (3) members, including the committee Chairman. The meeting may be attended by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.
- 4. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by any means of communication (video or telephone) are allowed when the personal presence of the member is not possible.
- 5. Duties of the Corporate Strategy Committee shall include:
  - a) Supervising all elements pertaining to the Bank's strategy and ensuring that there is in place general policies for the implementation of the Bank's strategy.
  - b) Approving all strategic decisions and providing direction to the executive management including strategies, action plans and following up on the implementation of strategies.
  - c) Reviewing and approving any new investments such as mergers, acquisitions, penetration of new markets, and disposing of any of the Bank's assets or of its subsidiaries or affiliates.

**g. The Credit Committee:**

- 1. The Credit Committee shall be comprised of the Chairman of the Board and four Board members, one of them may be independent and provided that none of them shall be a member of the Audit Committee. The Chief Executive Officer may be invited to attend the meetings of the Committee.
- 2. The Committee shall meet whenever necessary.
- 3. The meeting shall be considered legal if attended by at least four members of the Board. The meeting may be attended by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.

4. The committee takes its decisions by the majority votes of its members. Voting on its decisions is in person, and in the event that personal attendance is not possible, the member can express his/her point of view through video phone communication, and he has the right to vote and sign the minutes of the meeting, provided that this is duly documented.
5. The Board Credit Committee shall approve granting , modifying or renewing or structuring or scheduling or settling loans and credit which amounts exceed those within the authority of the credit committees headed by the CEO upon the recommendation of the credit committees in the Bank and in accordance with the credit policy and credit limitations approved by the Board of Directors.
6. The Credit Committee shall regularly submit to the Board details of the credit facilities approved thereby.

**h. The IT Governance Committee:**

1. The Information Technology Governance Committee shall be comprised of at least three members of the Board, it is preferable to include in its membership individuals with experience or knowledge in information technology. The Chief Executive Officer may be invited to attend the meetings of the Committee.
2. The IT Governance Committee can invite any of the Bank's executives to attend its meetings to seek their opinion, including those involved in internal audit, members of Senior Executive Management or those involved in external audit.
3. The Committee shall meet at least quarterly, and documented meetings' minutes shall be kept.
4. The quorum for IT Governance Committee meeting shall not be less than (3) members, including the committee Chairman. The meeting may be attended by any means of communication (video or telephone) provided that the Chairman and the Secretary shall endorse the minutes of the meeting and the legal quorum.
5. The committee shall take its decisions by the majority of the votes of the attendees, in case the votes are equal, the chairman shall have the casting vote. Votes by any means of communication (video or telephone) are allowed when the personal presence of the member is not possible.
6. The IT Governance Committee shall carry out its duties according to the IT Governance & Management Manual approved by the Board of Directors.

**Article (8): The Executives Management's Responsibilities:**

- a) To execute and manage the Bank's activities in accordance with the strategies/ policies approved by the Board, systems, risk management, operations and controls necessary to manage all kinds of risks to which the Bank is exposed, ensuring that the levels of risk appetite approved by the Board are not exceeded, and to comply with all legislations in force and the Bank's internal policies.
- b) To verify that there are comprehensive work procedures for all the Bank's activities in line with the legislations in force and the strategies/ policies approved by the Board, provided that these procedures are approved by the Chief Executive Officer (except for the supervisory departments since they must be approved by the relevant committee), and to ensure that these procedures are applied.

- c) To prepare the financial statements.
- d) To prepare the general organizational structure of the Bank and get it approved by the Board, and to prepare the sub-organizational structures of all units operating in the Bank and approving them by the Chief Executive Officer, except for the sub-organizational structures of the supervisory departments that are approved by the Board based on the recommendation of the relevant committee, provided that these structures indicate the hierarchical order and reflect the lines of authority and responsibility in a detailed and clear manner. The general organizational structure shall include, at a minimum, the following:
  - 1. The Board and its committees.
  - 2. The executive management and its committees.
  - 3. Separate departments for risk management, compliance and internal audit, in a manner that enables them to carry out their tasks with complete independence without performing any executive activities. These departments are connected to the relevant committee with a solid line and connection to the relevant committee is shown in a dotted line with the Chief Executive Officer.
  - 4. Units that do not perform executive activities such as the employees of credit review and middle office.
  - 5. Subsidiaries and foreign branches.
- e) To prepare an annual budget, approve it by the Board and periodically reporting performance reports to the Board showing the actual vs budget and explanation of any variances from the estimated and its reasons.
- f) To refrain from doing any practices that could affect the independency and objectivity of the supervisory departments, since the cooperation of these departments with the Bank's various units and the executive management is essential to carry out their tasks. Supervisory departments are required to inform the senior executive management of any important issues that require immediate measures to be addressed if they are identified by any of these departments. This does not prevent these departments from informing the relevant committee about these matters.
- g) To provide the regulator entity, the external and internal audit and any other relevant entities, at their request, with the required information and statements which are necessary to carry out their tasks in an optimal manner.
- h) To prepare the Bank's Code of Conduct, approve it by the Board, and circulate it.
- i) To develop the skills and ethical behavior of the Bank's employees to comply with the latest standards of ethics and code of conduct.
- j) To verify that there are appropriate supervisory controls for each activity or operation, and to separate the procedures administratively and practically among the tasks of approval and execution.
- k) In addition to the legislations in force, The Chief Executive Officer shall undertake the following:
  - 1. Develop the strategic direction of the Bank.
  - 2. Implement the Bank's strategies and policies.
  - 3. Implement the Board's decisions.
  - 4. Provide guidance for the implementation of short and long-term action plans.

5. Establish mechanisms to convey the Bank's vision, mission and strategy to the employees.
6. Inform the Board of all significant aspects of the Bank's operations.
7. Manage day-to-day operations of the Bank.
8. To approve a detailed job description of the tasks of each organizational unit (except for the supervisory departments that must be approved by the relevant committee).

**Article (9): Suitability of Senior Executives:**

a) The Board of Directors shall:

1. Approve a policy that would ensure the suitability of the members of the Senior Executive Management provided that such policy include the minimum criteria, procedures and controls that ought to be met by the members. The policy is to be reviewed by the Board of Directors from time to time and the Board should set out procedures, and adequate controls to ascertain that the criteria is being met by all members of the Senior Executive Management and they continue to be met.
2. Verify that the Chief Executive Officer enjoys integrity, technical competence and banking experience.
3. Approve the appointment/ transfer/ promote/ assign, accept the resignation of or terminate the services of any of the Senior Executive Management members.
4. Approve a succession plan for the Senior Executive Management and review the plan at least once a year.
5. Ensure that the Central Bank of Jordan is notified of any material information that may adversely affect the suitability of any member of the Senior Executive Management.

b) The Following conditions should be fulfilled by an appointed senior executive:

1. Should not be a member of the Board of Directors of any other bank unless the other bank is a subsidiary of Arab Bank's.
2. Should be dedicated full time to the management of the Bank's business.
3. Should have, at a minimum, a bachelor degree in economics, finance, accounting or business administration or any other related field.
4. Should have a minimum of five year experience in banking (mostly in the field of the job for which he is nominated) or a related field, except the Chief Executive Officer which occupant should have a minimum of ten year experience in banking.
5. Not be a major shareholder and not to be related to the Chairman of the Board or any of the Board's members or any major shareholder in the Bank up to a third degree kinship in the case of the Chief Executive Officer and to a first degree in the case of any other member of the Senior Executive Management.

c) A "no objection" letter should be obtained from the Central Bank of Jordan on the resignation or termination of the Chief Executive Officer, the Head of Internal Audit, Head of Risk Management, Head of Compliance. The Central Bank has the right to

call upon any of them to inquire about the reasons of resignation or termination of services.

- d) A “no objection” letter should be obtained from the Central Bank of Jordan prior to the appointment/ transfer/ promote/ assign of any member of the Senior Executive Management, enclosing Board's resolution, the relevant committee’s recommendation, the approved general organizational structure, signed attestation of the member, Curriculum Vitae, academic certificates, certificates of expertise, a no-criminal record certificate and a copy of the ID card (passport for non-Jordanians).

#### **Article (10): Conflict of Interests**

- a) The Board shall adopt a policy to handle conflict of interests of all forms including those which may arise as a result of inter-group relationships, and the necessary measures shall be approved to ensure the adequacy of the controls and internal oversight to monitor the compliance to this policy and prevent violations thereof. This policy shall include, at a minimum, the following:
1. Avoid activities that may result in a conflict of the Bank’s interest and the interest of any executive in the Bank of all forms.
  2. Immediate disclosure upon the verification of any issue that resulted in or may result in a conflict of the Bank’s interest and the interest of any Bank executive in the Bank of all forms.
  3. The board member shall not disclose the confidential information of the Bank or use it to his/ her own interest or for the benefit of others, and the representative of the legal entity shall not disclose any confidential information circulated during the meetings of the Board or its committees to any person, including any executive of the legal entity.
  4. The board member shall prioritize the Bank’s interest in all business transactions conducted with any other company in which he/she has a personal interest. In addition, he/she shall not use the Bank’s commercial business opportunities for his/her own personal gain, and shall avoid conflict of interest and disclose to the Board in detail any conflict of interest, if any, the Board Member shall abstain from attending the meeting or participate in the decision taken therein, where such a matter is discussed, and to record this disclosure in the minutes of the meeting of the Board or its committees.
  5. Examples of cases resulting in conflict of interests shall be, provided including conflicts that may arise between the interest of the Board member and the interest of the Bank, or between the interest of the member of the executive management and the interest of the Bank, or between the interest of any of the companies within the Group, subsidiaries or affiliates and the interest of the Bank.
  6. Identify the Bank’s related counterparties in accordance with the legislations in force and determine the conditions of transactions with those parties in a manner that ensures that the Bank’s related counterparty does not get better conditions than the conditions applied by the Bank to another customer who does not have a relationship with the Bank, and this includes all the Bank's transactions with any of the companies within the Group.
  7. Determine the nature of transactions with the related counterparties to include all types of transactions without being limited to credit facilities only.

8. The procedures followed by the Bank when identifying cases of non-compliance with the above policy.
- b) The Board should approve a Code of Conduct that ensures that the Bank conducts its business with high integrity. This Code includes, at a minimum, cases where conflict of interests may arise, and shall verify that it has been circulated to all levels of management within the Bank.
  - c) The Internal Audit Division shall conduct a test at least once a year to ensure that all the transactions with related parties have been executed in accordance with the prevailing regulations and the Bank's internal policies and approved procedures. The reports and recommendations shall be submitted to the audit committee. The audit committee shall inform the Central Bank of Jordan upon verification of any violation of the internal policies in this regard.
  - d) The Board shall ensure that the Executive Management has high level integrity in conducting its work, avoids conflict of interests and objectively implements the approved policies and procedures.
  - e) The Board shall adopt controls for the transfer of information within various departments, that prevent its exploitation for personal gain.

#### **Article (11): Evaluating the performance of the Directors**

- a) The Board shall ensure a mechanism to evaluate its performance and that of its committees and members provided that such mechanism shall, at least, include the following:
  - 1. Identify Key Performance Indicators (KPIs) based on the plans and strategic goals and use them to measure the performance of the Board and its committees.
  - 2. Communication between the Board and the shareholders and the regularity of such communication.
  - 3. Regularity of the meetings of the Board of Directors with the senior executive management.
  - 4. The member's attendance of the Board and committee meetings and their active participation, also comparing his/her performance with that of other Board members. Feedback from the members must be obtained to enhance the evaluation process.
  - 5. The extent to which the member has developed his knowledge of the banking operation through his/her participation in training programs.
- b) The Board shall annually evaluate the performance of the Chief Executive Officer according to an evaluation system set by the Nomination and Remuneration Committee and approved by the Board, which shall include key performance indicators. The criteria for evaluating the performance of the Chief Executive Officer shall include at a minimum, the administrative and financial operation of the Bank compared to the size of the risks and the achievement of the medium and long term



goals and strategies of the Bank. Weighting should be assigned to each item of the evaluation. The Committee shall inform the Central Bank of Jordan of the results of the evaluation.

- c) The Board shall adopt a system to measure the performance of the Bank's executives who are not members of the Board and Chief Executive Officer. Such system shall take into consideration key performance indicators that vary according to the nature of each department operations and their achievement of their goals. This system should include, at a minimum, the following:
  - 1. To appropriately measure the extent of commitment to the framework of Risk Management, Compliance Department, Internal Controls and Regulatory requirements.
  - 2. The total revenue and profitability shall not be the sole criteria for performance measurement. Other elements shall be considered to measure the performance of Executives such as, risks associated with core operations and the achievement of every department's goals and its annual plans, in addition, customer satisfaction should be measured when applicable.
- d) The performance of the Internal Audit Department employees shall be evaluated by the Head of Internal Audit, in accordance with the performance evaluation policy approved by the Board.

#### **Article (12): The Remuneration for the Executives**

- a) The Board of Directors shall adopt procedures to determine the remuneration of its members, based on the evaluation system, approved thereby.
- b) The Remuneration policy should include the following key points at a minimum:
  - 1. To be structured to attract and retain highly qualified and experienced executives, and to motivate them and promote their performance.
  - 2. The controls related to the compensation of the Chairman of the Board, its members and committees are provided for the tasks outlined as stipulated in this Code. These compensations may vary based on the evaluation of the Board/committee/ members and the Bank's solvency and performance.
  - 3. To be designed to ensure that the Executives are motivated to achieve the Bank's goals without causing high risks that may negatively affect the soundness and reputation of the Bank or expose it to legal risks.
  - 4. To ensure that remuneration is not based on the performance of the current year only but takes into consideration the medium and long term performance (3-5 years).
  - 5. A mechanism for deferring a reasonable portion of the bonus (excluding salaries) should be established. Where the proportion and deferral period determined based on the nature of the work, associated risks and the activities of the concerned Executive.
  - 6. To define the form of the remuneration such as fees, salaries, allowances, bonuses, stock options or any other benefit, provided that the instructions issued by the Central Bank of Jordan in relation to Effective Interest Ownership are considered.

7. A process for clawing back deferred compensation granted to Executives should be established in the event that there are any performance issues or if the Bank is exposed to high risks as a result of the decisions undertaken by him/her within his/her authority and could have been avoided.
8. Executives of supervisory departments should not be given remunerations based on the performance of the departments under their oversight.

## **Article (13): Internal Audit**

### **(1) The Board of Directors shall:**

- a) Take the necessary measures to enhance the effectiveness of the Internal Audit by giving the necessary importance to the Internal Audit function and embedding it in the Bank. Ensure and enhance the independence of Internal Auditors, and ensure that they are well positioned in the Bank's organizational hierarchy, equip them with the necessary knowledge, skills and competencies necessary to perform their duties, and their right to access all records, information and to communicate with any executive in the Bank to enable them to perform their duties and prepare their reports without any interference.
- b) Verify that the Internal Audit Department is under the direct supervision of the Audit Committee, and submit its reports directly to the Audit Committee with a copy to the Chief Executive Officer. With the approval of the Chairman of Audit Committee the Chief Executive Officer may assign to the Internal Audit Department additional assurance or advisory tasks, provided that this assignment does not affect the independence of the Internal Audit Department.

### **(2) The internal audit division shall carry out the following tasks as a minimum:**

- a) Verify the adequacy of the internal controls of the Bank's activities and its subsidiaries, to ensure compliance, and review any modifications made to the structure of these systems in addition to documenting them.
- b) Prepare the Internal Audit Charter and have it approved by the Board based on the Audit Committee recommendation. The Charter shall include the duties, authorities and work methodology of the Internal Audit Department.
- c) Prepare an audit plan that comprises the Bank's activities including the activities of other supervisory departments and outsourced activities, based on the level of risk associated with these activities. This plan shall be approved by the Audit Committee.
- d) Review the compliance with the Corporate Governance Code, policies and charters on an annual basis. Prepare a detailed report on this review, and submit it to the Audit Committee with a copy sent to the Corporate Governance Committee.
- e) Review the accuracy and comprehensiveness of the Stress Testing in accordance with the methodology approved by the Board.
- f) Ensure the accuracy of the procedures followed for the Bank's internal capital adequacy assessment (ICAAP).
- g) Auditing the financial and administrative matters.

- h) Monitor violations and observations included in the reports of the Regulatory Authority and the external auditors, also ensure that appropriate controls are in place to prevent their recurrence.
- i) Ensure the presence of necessary procedures for receiving, handling and keeping complaints of the Bank's customers, and the observations related to the accounting system, internal control, auditing processes, and submitting periodic reports thereof.
- j) Keeping the audit reports and work papers, in an organized and secure manner as required by the prevailing regulations, to be reading accessible to the regulatory authority and the external auditor.

**Article (14): Risk Management**

- a) The Board of Directors shall ensure the independence of the Risk Management Department and grant it necessary authorities to access information from various departments and to cooperate with other committees in order to carry out its duties.
- b) The Board of Directors shall verify the handling of breaches to mitigate acceptable risk exposures, and holding Senior Executive Management accountable these breaches.
- c) The Board of Directors shall verify that the Risk Management Department conducts periodical stress tests to measure the Bank's capacity to absorb shocks and deal with high risks situations. The Board shall also have a key role in approving the assumptions and scenarios used, and discuss the stress tests results and approve the measures to be taken based on the said results.
- d) The Risk Management Department shall carry out the following tasks, as a minimum:
  - 1. Implementing the Risk Management strategy in addition to developing policies and procedures to manage all types of risks.
  - 2. Prepare a risk management policies that covers all Bank's operations, setting clear and limits for each type of risk. Ensure that all employees, benchmarks according to their administrative level, are fully informed and aware of this/ these policies, while reviewing them periodically. The Risk Management policies shall be approved by the Board.
  - 3. Prepare a comprehensive document covering all Bank's acceptable risks and approving it by the board.
  - 4. Reviewing the Risk Management framework before being approved by the Board.
  - 5. Developing the internal Capital Adequacy Assessment Process document (ICAAP), review it periodically and ensure its implementation. whereby the document should be comprehensive, capable of identifying all risks considering the Bank's strategic plan and capital plan. The document should be approved by the Board.
  - 6. Develop methodologies to identify, measure, analyze, assess and monitor all types of risks.
  - 7. Verify the compatibility of the risk measurement methodologies with the applied management information systems.
  - 8. Developing a business continuity plan and approving it by the Board, provided that it is checked periodically.

9. Ensure, prior to launching/ introducing any new (product/ service/ process/ system), that it aligns with the Bank's strategy, and that all risks involved, including operational/ information security/ cyber risks, have been identified. New controls, procedures or amendments should be made in accordance with the Bank's acceptable risk limits.
10. Provide necessary information about the Bank risks for use in the Bank's disclosures.
11. Submitting recommendations to the Risk Management Committee on risk exposures and any exception to the Risk Management Policy.
12. Monitor the compliance of the executive departments at the Bank with the levels of risk acceptable.
13. Reporting to the Board of Directors, through the Risk Management Committee, and with a copy to the Chief Executive Officer, on the actual risk exposures for all the Bank's operations compared to the accepted risk document, and to follow-up on the measures taken to remedy any negative deviations. The executive management has the right to request special reports, as needed, from the Bank's risk management department.

#### **Article (15): Compliance**

- a) The Board shall ensure the independence of Compliance Department.
- b) The Board shall approve the responsibilities of the Compliance Department, so that these responsibilities shall include as a minimum:
  1. Develop a compliance policy to ensure the Bank's commitment to all relevant regulations, and ensuring that all the employees, each according to their administrative level, are fully informed and familiar with this policy. This policy should be approved by the Board.
  2. Prepare an annual compliance plan, which should be endorsed by the Compliance Committee.
  3. Monitor the compliance of all the administrative levels within the Bank with all regulatory requirements and legislations in force and international standards including the recommendations of the Financial Action Task Force (FATF).
  4. Prepare regular reports that include an assessment for the risks of non-compliance, violations, deficiencies and the corrective measures taken. These reports should be submitted to Compliance Committee with a copy sent to the CEO.

#### **Article (16): External Audit**

- a) The Bank is required to prepare an external audit policy, and have it approved by the Board, provided that it is amended when necessary. Such policy shall include as a minimum the following:
  1. The mechanism of nomination and assignment of the auditing office.
  2. The mechanism of setting fees of the auditing office.
  3. The periodical alteration of the auditing office and team.
  4. The independence requirements of the external audit stipulated in paragraph (D) of this article as a minimum.

5. The tasks of the auditing office and team.
6. The relation between the auditing committee and the auditing office and team.
7. Non-audit services that can be assigned to the audit office.
8. Criteria of selecting the audit office and the partner in charge, taking into account the following requirements as a minimum:

a) Audit office:

1. The number of partners in charge for auditing at the office should not be less than two partners.
2. The office or the international company, which the office is deemed a member of, should have adequate experience of no less than (10) years in auditing banks.

b) The partner in charge:

1. Should be of good conduct and behavior with sound professional reputation.
2. Should not be convicted in any felony or crime for any act considered against honor or duty of trust.
3. Should hold a valid certificate of practicing the profession of auditing, and is registered with the Jordanian Association of Certified Public Accountants according to the provisions of the law regulating the profession of legal accounting.
4. Should not be suspended from practicing the auditing profession within the last five years, or have been convicted of a final judgment because of professional fault or legal violation related to practicing the profession.
5. Must hold at a minimum a bachelor degree in the field of accounting or any of the fields relevant to the banking business.
6. Hold one of the professional certificates in the field of accounting or auditing from the Jordanian Association of Certified Public Accountants or the internationally acknowledged professional associations that is recognized by the Jordanian Association of Certified Public Accountants.
7. Have a practical experience in the field of auditing for a period of no less than (10) years, with at least (7) years of which being in the field of banks' auditing, and to be fully knowledgeable of banking business and their risks as well as the related legislations including the legislations issued by the Central Bank of Jordan.

- b) The Bank shall ensure regular rotation of the external auditor every seven years as a maximum, provided that the external auditor shall not be changed during the contract period except after obtaining the approval of the Central Bank of Jordan and based on substantial reasons.
- c) The previous office should not be re-elected before at least three years from the date of its last election with the bank.
- d) The Audit Committee shall verify the independence of the external auditor during the contract period, beginning and continuing, so as to ensure absence of any

conflict of interests between the Bank and the external auditor, and the Board shall ensure that and verify that the terms of contract with the external auditor include the following as a minimum:

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

#### **Article (17): General Provisions**

a. The Chairman of the Board shall;

1. Send an invitation, well ahead of time, to the Central Bank of Jordan to attend the General Assembly meetings by nominating a representative.
2. Provide the Central Bank of Jordan with the General Assembly meetings minutes within no more than 5 days since the date of attesting the minutes by the General Companies Controller or its representative.

b. The Bank shall;

1. Inform the Central Bank of Jordan, at least 30 days prior to the General Assembly meeting date, of its desire to nominate the external auditor to be elected (or re-elected) by the General Assembly.
2. Verify that any major shareholder in the Bank is not related, including kinship up to the third degree, to the CEO and the first degree to any other member of the senior executive management.
3. Take into account the representation of women in the membership of the Board and in the Senior Executive Management.
4. Obtain a no-objection letter from the Central Bank of Jordan to nominate any member to the Board prior to the date of the meeting of the General Assembly of

the Bank with a sufficient period of not less than one month, and it shall notify those who wish to be nominated that there must be a no-objection letter of the Central Bank of Jordan to that.

5. Provide the Central Bank of Jordan with its general organizational structure when making any amendment to it, with a clarification of that amendment.
6. Provide the Central Bank of Jordan with information on the board members, its committees and members of its Senior Executive Management once an amendment takes place.
7. Provide the Central Bank of Jordan with information on the Board members, Board of Directors and senior executive managements of its subsidiaries (including the subsidiaries thereof) inside and outside the Kingdom once an amendment takes place.
8. Provide the Central Bank of Jordan with the declarations of the current members of the Board and the declarations of the current members of the Senior Executive Management.