



مصرف بغداد
Bank of Baghdad

Environmental, Social, and Corporate Governance (ESG) Manual-Bank of Baghdad

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Table of Contents

Introduction.....	5
Chapter One: Manual References	6
Chapter Two: Definitions	7
Core Values of the Bank	11
Chapter Three: Board of Directors.....	11
First: Composition of the Board of Directors	11
Second: Qualifications for Board Membership.....	12
Third: Independence of a Board Member	13
Fourth: Board of Directors Meetings	14
Fifth: Duties and Responsibilities of the Board of Directors	15
Sixth: Board of Directors Performance Evaluation	18
Seventh: Chairman of the Board of Directors.....	18
Eighth: The Managing Director	19
Ninth: Secretary of the Board of Directors	20
Chapter Four: Board Committees	21
First: General Framework for Board Committees	21
Second: Board Committee Meetings	22
Third: Audit Committee.....	23
Fourth: Risk Management Committee.....	26
Fifth: IT and Communications Governance Committee	28
Sixth: Nominations and Remunerations Committee.....	29
Seventh: Environmental, Social, Corporate Governance, and Sustainability (ESG) Committee	30
Eighth: The Supreme Committee.....	31
Ninth: Strategic Committee	32
Chapter Five: Conflict of Interest Management.....	33
Chapter Six: Code of Conduct	33
Chapter Seven: Executive Management	34
First: Executive Management Framework.....	34
Second: Executive Management Committees.....	35
Third: Duties of Executive Management	39
Fourth: Internal Audit Department	40
Fifth: Risk Management	41



Sixth: Compliance Management.....	43
Seventh: Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) Department.....	45
Eighth: The Three Lines of Defense in the Bank.....	46
Chapter Eight: Shareholders	47
First: Shareholder Rights	47
Second: Relationship of the Board of Directors with Shareholders	48
Chapter Nine: Disclosure and Transparency.....	48
Chapter Ten: Governance of Stakeholder Relations and Climate-Related Aspects	50
First: Governance of Stakeholder Relations	50
Second: Reporting on Stakeholder Relations Governance	50
Third: Governance of Climate-Related Issues	51
Fourth: Reporting on Climate-Related Governance Issues.....	51
Review and Amendment of the Manual	52

Introduction

Based on Bank of Baghdad's commitment to compliance with international best practices and the instructions of the Central Bank of Iraq, this Environmental, Social, and Governance (ESG) Manual has been developed as a strategic regulatory tool aimed at enhancing the principles of transparency, integrity, and accountability across all levels of governance and management within the Bank.

This Manual aims to define the governing framework for environmental, social, and corporate governance practices and integrate them into the Bank's policies, operations, and operational and financing decisions, contributing to achieving a balance between economic growth and environmental and social sustainability, and enhancing the Bank's ability to manage risks and adapt to regulatory, climate, and technical changes.

This Manual serves as a primary reference that regulates the relationship between the Board of Directors, the Executive Management, and their respective committees through a clear distribution of duties, authorities, and responsibilities.

The Bank's Board of Directors is committed to implementing the contents of this Manual and updating it periodically in line with regulatory and legislative developments, affirming its responsibility to lead the Bank within a sound and sustainable governance framework.

The sustainability principles to which Bank of Baghdad is committed include the following:

- 1- Banking, Environmental, and Social Risk Management: Integrating social and environmental considerations into the decision-making process regarding the Bank's activities to avoid, mitigate, or offset negative impacts.
- 2- Environment and Social Character: Avoiding, mitigating, or offsetting the negative impacts of the Bank's operations on the local communities and the environments in which the Bank operates, or mitigating their intensity and maximizing positive impacts as much as possible.
- 3- Human Rights: Respecting human rights in all of the Bank's operations and activities.
- 4- Women's Economic Empowerment: Promoting women's economic empowerment through a workplace culture that includes both males and females in the Bank's operations, and seeking to create new products and services specifically designed for women through commercial activities.
- 5- **Financial Inclusion:** Seeking to provide financial services to individuals and traditional communities with limited access or those who cannot access the formal financial sector.

- 6- Governance:** Implementing strong and transparent governance practices within the Bank.
- 7- Capacity Building:** Developing the individual and sectoral institutional capacities necessary to identify and manage social and environmental risks and opportunities related to business and commercial operations.
- 8- Collaborative Partnerships:** Collaborating with all sectors and leveraging international partnerships to accelerate social progress and strengthen the sector as a whole, ensuring the institution's vision aligns with international standards and local development requirements.
- 9- Reporting:** Periodically reviewing progress reports to satisfy legal principles at both the individual and sector-wide levels.

Bank of Baghdad affirms its full commitment to the provisions of the Environmental, Social, and Corporate Governance (ESG) Manual, as well as all instructions issued by the Central Bank of Iraq, along with the requirements of regulatory and official authorities within Iraq and the regulatory authorities in the countries where the Bank operates or participates within banking groups.

The Bank discloses relevant information to stakeholders in accordance with the manual issued by the Central Bank of Iraq. A copy of this manual has also been published on the Bank's official website, allowing the public to review it with full transparency.

The Bank includes a statement in its annual report clarifying the extent of management's commitment to the contents of this manual, while disclosing cases of non-compliance—if any—and their reasons, to enhance the principle of transparency and accountability to all stakeholders.

A committee emanating from the Board of Directors has been formed under the name "Environmental, Social, Corporate Governance, and Sustainability Committee" to monitor the implementation of the manual's provisions. Specialists at the Bank will undertake the review, amendment, and update of the manual in light of any instructions issued by the Central Bank of Iraq and relevant laws.

Chapter One: Manual References

The Manual has been prepared based on a set of Iraqi laws and a group of international references, specifically:

Iraqi Laws

- 1- The Environmental, Social, and Corporate Governance (ESG) Manual issued by the Central Bank of Iraq in 2025.
- 2- Central Bank of Iraq Law No. (56) of 2004.
- 3- Banking Law No. (94) of 2004.
- 4- Electronic Signature and Electronic Transactions Law No. (78) of 2012.
- 5- Anti-Money Laundering and Counter-Terrorism Financing Law No. (39) of 2015.

- 6- Companies Law No. (21) of 1997.
- 7- Amended Public Companies Law No. (22) of 1997.
- 8- Amended Residency of Foreigners Law No. (188) of 1978.
- 9- Relevant instructions issued by the Central Bank of Iraq.

International References

- 1- International Finance Corporation (IFC).
- 2- Organization for Economic Co-operation and Development (OECD).
- 3- Basel Committee on Banking Supervision (BCBS).
- 4- International Sustainability Standards Board (ISSB) of the IFRS Foundation.
- 5- Financial Accounting Standards Board (FASB).
- 6- International Financial Reporting Standards (IFRS).
- 7- International Auditing and Assurance Standards Board (IAASB).
- 8- Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.

Chapter Two: Definitions

Corporate Governance	<p>A set of comprehensive systems that define the relationship between the Bank's Board of Directors, the Executive Management, shareholders, and other stakeholders. Governance addresses the system through which the Bank is directed and its activities are overseen by the Board of Directors, which affects:</p> <ul style="list-style-type: none"> - The Bank's strategy, including Environmental, Social, and Corporate Governance (ESG) strategies. - The Bank's risk management, including environmental and social risks. - The Bank's operations. - The balance between shareholder rights and depositors' interests, taking into account the interests of other stakeholders. - The Bank's compliance with all applicable laws, rules, and regulations. - Reporting practices to ensure full disclosure and transparency in all material financial and non-financial aspects.
Suitability	Meeting the minimum legal requirements required for members of the Board of Directors and members of the Executive Management.
Executive Management	High-level employees as stipulated in the Banking Law No. (94) of 2004, pursuant to the instructions of the Central Bank of Iraq and the Bank's organizational structure.
Qualifying Holding	Any natural or legal person, or a group related to them, who intends to contribute to the Bank's capital in a percentage exceeding 10% of the Bank's subscribed capital.
Related Parties	<p>Includes the following:</p> <ul style="list-style-type: none"> - A related person as defined in the Banking Law No. (94) of 2004 and in International Accounting Standard (IAS) No. 24. - Any director, authorized manager, or his deputy, or a consultant who worked for the Bank in the preceding two years.

	<p>- The independent auditor (external auditor) throughout the duration of his service and in the two years following the termination of his contract with the Bank.</p> <p>- Any natural or legal person associated with the Bank by a contractual relationship during the term of the contract.</p>
Related Group	A group of individuals or companies linked by kinship or influential economic interests.
Independent Board Member	A non-executive board member free from any other work or association with the Bank, who is independent and non-conflicting with its interests when making decisions. An independent board member enjoys complete independence from the management and the Bank and is not subject to undue influences.
Executive Board Member	A board member who is also a member of the Bank's Executive Management, supervises daily operations, and receives a monthly salary in return.
Non-Executive Board Member	A board member who is related to the Bank through shareholding or by being a customer or a consultant to the Bank, or who may provide services to the Bank or to members of the Board of Directors or Executive Management; he does not participate in any way in the daily management of the Bank, does not receive any monthly salary in return, and is not considered independent.
Qualified Institutional Investor	<p>Refers to legal entities that meet one of the following criteria:</p> <p>1. A bank that meets all the following conditions:</p> <p>a. A licensed bank supervised by a financial regulatory authority.</p> <p>b. Has operated as a licensed bank for at least five continuous years.</p> <p>c. Has total financial assets of a value not less than four trillion Iraqi Dinars.</p> <p>d. Has at least one correspondent banking relationship in each of the three major currencies (US Dollar, Euro, Chinese Renminbi).</p> <p>2. A regulated non-banking investor, such as an asset manager, that meets all the following conditions:</p> <p>a. Licensed and supervised by a financial market regulator in a country that does not appear on the FATF black or gray lists.</p> <p>b. Has assets under management of a total value not less than four trillion Iraqi Dinars or its equivalent in foreign currency.</p> <p>c. Has a record of holding a high percentage of shares in any bank for at least five years.</p> <p>3. A sovereign wealth fund or a multilateral development bank:</p> <p>a. A sovereign wealth fund established by a national government that meets the following criteria:</p> <ul style="list-style-type: none"> - Licensed and subject to the supervision of a financial market regulatory authority in a jurisdiction not listed on the FATF gray or black list. - Has experience of no less than five years in asset management or investments in the financial sector. - Has capital of no less than four trillion Iraqi Dinars. <p>b. A multilateral development bank with experience of no less than five years in asset management or investments in the financial sector.</p>

	<p>4. An investment portfolio that meets all the following conditions:</p> <p>a. Managed by a fund manager approved by the Central Bank of Iraq based on fit and proper criteria, for example (existence of reliable evidence of the fund manager's ability to successfully manage investments in bank shares).</p> <p>b. Has a governance structure approved by the Central Bank of Iraq.</p> <p>c. Its capital amounts to no less than one hundred billion Iraqi Dinars.</p> <p>d. The majority of its capital is from Iraqi institutional investors (not individuals).</p>
Material Matters	Matters that may be important to investors, shareholders, or stakeholders, which may affect the investment decision or change the share price in the market.
Supermajority Approval	Approval by a share of votes equal to or exceeding two-thirds.
Cumulative Voting	The method of voting on all decisions of the General Assembly, including the selection of members of the Board of Directors.
Fit and Proper	Fulfillment by all members of the Board of Directors of the requirements of the Banking Law No. (94) of 2004 and the Companies Law No. (21) of 1997 and its amendments.
Financial Literacy	The ability to understand the role of accounting and the analysis of financial reports, and having skills in budgeting, investment, borrowing, taxation, auditing, insurance, and personal financial management.
Material Interest	Direct or indirect ownership of shares representing at least (2%) of the voting rights or the outstanding equity of the Bank or any of its subsidiaries.
Financial Expert	<p>A person who possesses high skill and professional qualification in several fields, including the following:</p> <ul style="list-style-type: none"> - Understanding International Financial Reporting Standards (IFRS), financial statements, and reporting processes. - Has experience in preparing and/or auditing financial statements for banks. - Has experience in accounting for estimates, accruals, and reserves. - Comprehending the approved controls in the field of accounting and internal audit of the Bank. - Has experience in the role of the audit committee in the Bank. - Appropriate knowledge of current legislation and developments regarding financial reporting.
Bank Branches and Subsidiaries	Any branches of Baghdad Bank or other companies legally associated with the Bank.
Sustainable Finance	Any form of banking or financial services that integrate Environmental, Social, and Governance (ESG) criteria into business or investment strategy, policies, and decisions for the sustainable benefit of both the Bank's customers and society as a whole.
Environmental and Social Management System	Tools that assist in evaluating the management practices of environmental and social standards in the Bank or self-assessing them; these practices can be measured against good market practices in environmental and social aspects.
Environmental and Social Risk Management System	Policies, procedures, and tools necessary to identify, assess, monitor, and manage or mitigate exposure to environmental risks and social risks (E&S); this should be an integral part of the Bank's risk management.

<p>Stakeholders</p>	<p>All groups or persons who may be interested in the Bank's activities, products, services, and associated profitability, and who can affect or be affected by it. Stakeholders include (shareholders, investors, employees, regulators, supervisory and governmental authorities, the Bank's customers, depositors, borrowers, suppliers, and the community as a whole) and others.</p>
<p>Climate-related Aspects</p>	<p>Aspects related to climate change risks and available opportunities in the short, medium, and long term; they include aspects related to physical climate issues and issues related to the transition as a result of climate change.</p>
<p>Three Lines of Defense</p>	<p>A risk management model based on globally applied principles established by the Institute of Internal Auditors (IIA) to ensure effective corporate risk management. The first and second lines include management's responsibilities in risk management, while the third line of defense requires internal auditing and review to provide independent assurances to the Board of Directors regarding the effectiveness of risk management at the Bank's level.</p>

Core Values of the Bank

Integrity is the Foundation of Our Work: Every employee must act at all times in a professional manner toward other individuals within their team as well as toward the Bank's customers, in accordance with applicable laws and regulations. Furthermore, there must be strict adherence to all instructions, laws, regulations, and internal procedures of the Bank.

We Care About Our Customers' Requirements and Service: The Bank and its employees are committed to providing services with integrity and fairness without discrimination between customers, listening intently to the customer, and understanding and meeting their needs with the highest level of quality and professionalism. Providing fast and secure banking services that meet and exceed expectations reflects the Bank's commitment to building long-term relationships with its customers based on trust, satisfaction, and service excellence.

We Are Accountable for Our Performance: This is a fundamental pillar reflecting the level of awareness and institutional commitment among employees. It is achieved by working with a spirit of discipline and professionalism, bearing the results of professional decisions and actions—whether positive or negative—and committing to completing assigned tasks accurately, efficiently, and within specified timeframes in compliance with approved laws, instructions, and policies.

We Grow Continuously: Continuous growth reflects the institution's ambition and its dedication to excellence and leadership. This involves a constant pursuit of developing knowledge and skills through learning, keeping pace with professional and technical developments, improving work methods and procedures, encouraging innovation, accepting positive change, and benefiting from evaluations and feedback. Building institutional capacities ensures sustainability and long-term growth to achieve the institution's strategic objectives.

Funds are a Trust and a Responsibility: The funds of customers and shareholders, the Bank's funds, and all related accounts, documents, and banking operations are a trust and a responsibility placed upon all Bank employees. Every employee must safeguard them, observing honesty, integrity, and the soundness of procedures.

Chapter Three: Board of Directors

First: Composition of the Board of Directors

The Board of Directors is the supreme authority for decision-making within the Bank and is responsible for overseeing the sound and prudent management of the Bank and its subsidiaries. The Board of Directors of Bank of Baghdad is composed in a manner that ensures a diversity of expertise and competencies, taking into account qualitative and specialized representation, including skills in sustainability, financial technology, and governance.

The Bank's Board of Directors consists of non-executive members, with the exception of only one member, who is the Managing Director. They are selected according to criteria of integrity, professionalism, and independence, in accordance with the regulations of the supervisory authorities.

Accordingly, the members of the Board of Directors of Bank of Baghdad are elected at the General Assembly meeting, following the approval of the Central Bank, for a term of four years, with the possibility of re-election for a maximum of an additional four years. Consequently, the position of Managing Director of the Bank cannot continue to be held if the legal term of the Board of Directors membership expires. The previous Board of Directors continues its mandate until the necessary approvals are obtained from the Central Bank of Iraq and the Companies Registration Department to appoint the new Board, for a period not exceeding (90) days, provided that the names of the candidates for the new Board are submitted to the Central Bank of Iraq at least (90) days before the expiration date of the previous Board's mandate.

The Board composition includes:

1. The Bank's Board of Directors shall consist at all times of nine non-executive members, with the exception of one member, the Managing Director, provided that at least six members are independent non-executive directors. Half of them shall be nominated by Qualified Institutional Investors, and one independent member shall be appointed to represent minority shareholders.
2. The composition of the Board must include at least one woman, at least one member possessing sufficient skills in the field of Environmental, Social, and Corporate Governance (ESG), sustainability, and knowledge of climate change issues, and at least one member possessing sufficient skills in the field of information and communication technology.
3. At least one-third of the Board members must be ordinary residents of Iraq.
4. The composition of the Board of Directors is reviewed annually to ensure updates and succession planning. This includes the term of membership, knowledge, and experience in the fields of finance, accounting, lending, banking operations, payment systems, strategic planning, information and communication technology, ESG risks and opportunities, climate-related financial risks, risk management, internal controls, bank regulation, auditing, and compliance.

Second: Qualifications for Board Membership

Non-residents and non-Iraqis may be appointed as members of the Bank's Board of Directors. The qualifications for Board members include being "fit and proper" in accordance with laws and regulations, being honest, and possessing integrity. They must be committed to sound practices in Environmental, Social, and Corporate Governance (ESG) and anti-corruption, adhere to codes of professional conduct and conflict of interest policies, and have sufficient time to attend to the Bank's Board affairs. To ensure this, all Board members are subject to a "Fit and Proper" test and must notify the Bank's Compliance Officer of any relevant changes to their circumstances as soon as they become aware of them and as early as possible.

Criteria for Membership on the Bank's Board of Directors:

1. Must possess legal capacity. All Board members must hold university degrees, and at least two-thirds of the members must have experience in the banking or financial sector.
2. Must meet all legal requirements stipulated in the effective Banking Law and the effective Companies Law as follows:

- a. Must be at least 30 years of age.
 - b. Must not be a government employee heading a ministry or holding a position in the Council of Ministers.
 - c. Must not be prohibited from managing companies under any law or a decision issued by a legally competent authority.
 - d. If representing the private sector, must own no fewer than two thousand shares. If their shares fall below this limit, they must complete the deficit within 30 days of obtaining Board membership; otherwise, they shall be considered to have forfeited their Board membership upon the expiration of the aforementioned period.
3. Must not be a Board member, a Managing Director, a Regional Manager, or an employee of any other bank within Iraq, unless said bank is a subsidiary of Bank of Baghdad or is under its control.
 4. Must not hold more than three Board memberships in other institutions, whether in a personal capacity or as a representative of a legal entity.
 5. Must not have been convicted of a crime or declared bankrupt by a judicial authority within the past seven years.
 6. If the candidate for membership is a government employee, a "No Objection" certificate must be provided from the competent Minister or their authorized representative.
 7. Must be capable of making independent decisions that serve the Bank's interests at all times.
 8. Must not participate in any decision that places, or appears to place, their interest or the interests of any other party above the interests of the Bank.
 9. Must commit to the Board's collective decision-making processes and discuss issues candidly and constructively.

Third: Independence of a Board Member

An independent Board member is one who meets the following conditions:

1. They must not be an administrative officer, employee, or Managing Director in any other bank within Iraq.
2. Neither they nor any institution in which they are an owner, a board member, or a major shareholder, may have credit facilities from the Bank, nor may they be a guarantor for credit facilities.
3. They must not be a consultant to the Bank or a board member of a Qualified Institutional Investor that owns shares in the Bank. Consultants include, but are not limited to (lawyers, legal advisors, banking consultants, and information technology consultants).
4. They must not have been an auditor, partner, or employee of the current or former external auditor of the Bank or its subsidiaries during the five years preceding the date of their election.
5. Neither they nor any of their related persons may have been an employee of the Bank or its subsidiaries during the five years preceding the date of their election.
6. They must not be related by kinship up to the fourth degree to any member of the Board of Directors, members of the Executive Management, or major shareholders of the Bank.

7. They must not own, directly or indirectly (including ownership by the families of shareholders or related persons), more than (2%) of the capital of the Bank, any other bank, the Bank's subsidiaries, or subsidiaries of one of the Bank's major shareholders.

Fourth: Board of Directors Meetings

Board of Directors meetings are held regularly according to a pre-prepared annual calendar, with no fewer than six meetings per year. The meeting agendas shall include pillars of strategy, governance, risk, and sustainability. Care must be taken to provide information and documents to Board members sufficiently in advance of each meeting, ensuring that discussions and decisions are documented in official minutes, while taking the following into account:

1. An annual calendar for meetings of the Board of Directors and its committees shall be prepared, and the main agenda items for these meetings shall be drafted and circulated at the beginning of each year. Environmental, Social, and Corporate Governance (ESG) Manual topics must be a regular part of the Board meeting agenda and discussions.
2. All Board members are expected to exert all reasonable efforts to attend all Board meetings in person. Board members may attend via video or telephone if necessary, after obtaining approval from the Chairman of the Board, provided that virtual attendance is limited to two meetings per year. In the event that a member is absent from three or more meetings during the year, the Chairman must notify the General Assembly and may take any actions he deems appropriate.
3. Meeting attendance records must be maintained and published in the Bank's annual report.
4. Board of Directors meetings are held at the Bank's headquarters. If this is not possible, the meeting may be moved to any other location within Iraq that is a central site accessible to all Board members.
5. The legal quorum for a Board of Directors meeting is the attendance of at least (50%) of the Board members, provided that three independent members are among them.
6. The agenda and documents related to Board meetings shall be submitted to the Board members at least ten business days prior to the meeting date. Agendas must include regular discussion of strategic issues, including aspects of the ESG Manual.
7. Board of Directors' decisions are considered approved by a majority vote of those present at the meeting. In the event of a tie, the Chairman of the Board shall have the casting vote.
8. Certain Board decisions require supermajority approval to pass, including decisions related to: (dismissal of a Board member; dismissal or appointment of the Managing Director, IT Manager, Financial Department Manager, Risk Management Manager, Compliance Officer, or the AML/CFT Reporting Department Manager; approval of mergers, consolidations, or major purchases or sales exceeding the limit determined by the Central Bank; changes to the Internal Bylaws or the Articles of Incorporation; issuance of new shares; capital restructuring or procedures that reduce existing shareholders; and approval of transactions with related parties that exceed the prescribed limits).
9. Board decisions shall be clearly stated in the Board meeting minutes. These minutes must be reviewed and approved by all members present at the relevant meeting, whether in person or remotely. The Board meeting minutes serve as the approved means of documenting the meetings. Additionally, the Secretary of the Board shall sign the meeting minutes, and the minutes must bear the Bank's seal within ten business days at most. The Board of Directors shall be responsible for its decisions and the resulting consequences.

10. The Secretary of the Board shall record the minutes of Board and committee meetings accurately and completely. The minutes typically follow the meeting agenda. The Secretary shall record any major reservations expressed by any member. The Bank shall maintain all such minutes and shall retain audio and video recordings of the meetings.
11. Senior Executive Management is committed to providing detailed information and the agenda to Board members at least ten business days before the date of the Board meeting. The Chairman of the Board is responsible for verifying the adequacy of the documents and papers related to the meeting before they are circulated to the Board members.

Fifth: Duties and Responsibilities of the Board of Directors

1. The Board of Directors is collectively responsible for the ethical and entrepreneurial leadership, direction, and oversight of the Bank. It supervises Executive Management and must approve the Bank's ESG Manual frameworks.
2. Promoting the Bank's culture, purpose, and values across all branches, ensuring these values are integrated into policies, procedures, and controls. This contributes to effective internal and financial controls, prudent risk management, and the management of ESG risks, including financial risks and compliance with all laws.
3. Adopting core values that instill a culture of high ethical standards, integrity, professional conduct, and sustainability among Board members, Executive Management, employees, and across operations.
4. Approving and ensuring compliance with the Code of Professional Conduct, conflict of interest policies, and the Bank's environmental and social policies published on its website. Each Board member must provide an annual written declaration of potential interests or sources of conflict, updated as circumstances change.
5. Adopting a Board Charter that defines its roles and responsibilities, distinguishing them from Executive Management. The Charter must include an annual performance evaluation for the Board, its committees, and individual members. The Board must actively direct and oversee ESG policies and practices, including them regularly in its agenda.
6. Adopting a Delegation of Authority framework and overseeing its implementation to ensure a clear distribution of powers between the Board and Executive Management, with oversight mechanisms to monitor their exercise.
7. Defining the delegation of executive powers for Bank activities (whether to the Managing Director or Executive Management) regarding all banking transactions, credit provision, signing transfers, checks, guarantees, bonds, loans, mortgages, and letters of credit.
8. Approving, documenting, and publishing a policy of delegated powers that clearly specifies authorities reserved exclusively for Board decisions.
9. Approving Bank plans, including the vision, mission, strategic goals, and ESG and climate-related objectives. These must incorporate the Central Bank of Iraq's Sustainable Finance Roadmap (2023–2029) and the Bank's sustainability principles. The Board must consider stakeholder views and instruct Executive Management on implementation and daily operational monitoring.
10. Actively participating in establishing and approving frameworks for strategy, risk appetite, corporate purpose, and the Bank's approach to sustainability and ESG risks. This includes an Environmental and Social Management System (ESMS) and an ESG risk management system proportional to the Bank's complexity and aligned with international principles.

11. Ensuring the Bank has a Board-approved, public sustainability policy focusing on ESG and climate change, aligned with CBI's Sustainable Finance Roadmap and international practices.
12. Identifying key material stakeholders, understanding their needs, and considering material ESG issues—including climate change—and their impact on the Bank's business.
13. Approving medium-term and short-term strategies and plans.
14. Reviewing strategy implementation and measuring performance against the plan; overseeing major capital projects, investments, acquisitions, mergers, or asset disposals; and supporting Executive Management in enhancing sustainable value for shareholders and stakeholders.
15. Discussing, adopting, and monitoring annual plans and budgets for Bank activities and strategic goal achievement.
16. Adopting a policy to monitor Executive Management performance through Key Performance Indicators (KPIs) and results that measure the Bank's performance against set targets.
17. Determining risk appetite, including liquidity risk, and communicating this to Executive Management. Approving the annual capital plan and any changes to the capital structure.
18. Adopting sound risk management and monitoring systems, including ESG risks, internal controls, and operations. The Board is responsible for ensuring continuous control and security procedures, including the Bank's financial position and reputation, and implementing CBI requirements.
19. Monitoring the implementation of risk management and risk appetite to ensure the Bank is not exposed to excessive risks. This includes environmental (specifically climate-related), social, and governance risks. Risk management is required to identify and quantify climate-related financial risks.
20. Ensuring the Bank is managed in compliance with all applicable laws, regulations, and internal policies.
21. Ensuring sustainability goals, policies, and activities are clearly communicated across all branches and publicly to investors, customers, and other stakeholders.
22. Overseeing capacity building and training for employees at least once a year regarding ESG, sustainability, and the financial impact of climate change.
23. Ensuring compliance with international standards in Bank activities, especially corporate financial and non-financial reporting.
24. Approving periodic and final financial statements, dividends, share allocations, share trading rules, and any significant changes in accounting policies or practices.
25. Approving the annual reporting requirements for the Banking ESG Scorecard, including the provision and reporting of relevant evidence.
26. Approving the Bank's performance and remuneration policy, as well as remuneration policies for the Chairman, executive members, and independent members of the Board.
27. Ensuring the Bank implements a robust internal control system.
28. Ensuring Board members possess the necessary skills for effective and prudent management.
29. Appointing the Managing Director and approving their appointment terms following CBI approval.
30. Approving the Managing Director's selection of candidates for key Executive Management positions, ensuring leadership appointments are merit-based.
31. Forming Board committees consisting solely of Board members and approving the terms of reference, scope, and membership of each committee.
32. Being responsible for accurate, honest, and fair disclosure, including annual scorecard reports and regulatory documents. The Managing Director and Chairman must sign off on the accuracy of

reports submitted to the CBI regarding compliance with this manual, following review and recommendation by the Board's ESG and Sustainability Committee.

33. Annually reviewing and approving the independence and competence of the external auditor and making recommendations to shareholders regarding their appointment or dismissal.
34. Ensuring the contract duration for the external audit partner and firm does not exceed five years, per the Banking Law.
35. Enabling the external auditor to clarify matters directly with the Board as a whole.
36. Appointing, overseeing, and, if necessary, dismissing the internal auditor based on Audit Committee recommendations.
37. Adopting and annually reviewing internal control and risk management systems, including ESG risk management; certifying their adequacy in the annual report; and ensuring the internal auditor, in cooperation with the external auditor, reviews these systems at least annually.
38. Ensuring the existence and use of adequate and reliable management information and technical systems covering all Bank activities.
39. Promoting a culture of good ESG practices and urging all employees and Executive Management to apply them and attend related training, while encouraging customers to adopt ESG practices in their own institutions.
40. Ensuring the Bank's credit policy requires customers (individuals and institutions) to apply good ESG practices, enhancing client compliance through due diligence and risk assessment prior to granting credit.
41. Taking measures to clearly separate the powers of shareholders with a "qualifying holding" from "Executive Management" to promote good ESG standards and mitigate the influence of such shareholders.
42. Adopting an organizational structure that defines administrative hierarchy and clear responsibilities.
43. Establishing an approved succession plan for the Board, the CEO, and key executive positions, reviewed annually.
44. Ensuring Executive Management is aware of formal controls and responsibilities regarding Anti-Money Laundering (AML) and the AML office website.
45. Ensuring the implementation of General Assembly decisions.
46. Overseeing policies and processes for high-quality, timely, and accurate public disclosure of all material market matters, including ESG governance, to shareholders and stakeholders.
47. Making a comprehensive annual report available to shareholders and stakeholders, including the Bank's full financial statements.
48. Adopting communication policies and procedures for major regulatory filings and other jurisdictions, and approving significant bulletins, statements, and press releases.
49. Ensuring the Bank provides the Central Bank with current information regarding members of the Board, General Assemblies, and Executive Management of the Bank and its subsidiaries (domestic and foreign) at least semi-annually and upon any amendments.
50. Ensuring ESG risks are considered as part of the credit accreditation and approval processes.
51. Adopting a manual of policies and procedures to combat fraud and corruption in line with CBI instructions and other local/international requirements, ensuring all employees and Board members are informed.
52. Approving the external auditor's report containing recommendations to limit high AML/CFT risks identified in risk assessments, after approval by the Board's Audit Committee.

53. Approving the short- and medium-term Strategic Plan for Financial Inclusion prepared by the Financial Inclusion Department, after review by the Board's Audit Committee; the plan is reviewed quarterly by the Committee and results are submitted to the Board.

Sixth: Board of Directors Performance Evaluation

An annual process shall be established to evaluate the performance of the Board of Directors against its specified objectives, as well as the performance of each Board committee and each individual Board member. A summary report of the results shall be provided in the annual report.

A. Purpose of the Evaluation

The evaluation aims to:

1. Enhance the effectiveness of the Board's performance and improve the level of governance.
2. Ensure the achievement of the Bank's strategic objectives within a transparent and accountable framework.
3. Support a culture of accountability and development within the Board.

B. Scope of the Evaluation

The annual evaluation covers the following aspects:

1. The performance of the Board of Directors as a whole.
2. The performance of each Board committee.
3. The individual performance of each Board member.
4. The extent of commitment to corporate values, the Manual, and the Code of Conduct.

C. Review and Update

The evaluation mechanism is reviewed and updated periodically to ensure its alignment with:

- The instructions of the Central Bank of Iraq.
- International best practices in corporate governance.

Seventh: Chairman of the Board of Directors

The Board of Directors shall appoint a Chairman from among its members, provided that they are not the Bank's Managing Director. The Chairman may be an independent or non-independent member and must exercise objective judgment. The role of the Chairman shall be reviewed and approved within thirty days in a manner acceptable to the Central Bank prior to the public notification of the appointment, to include:

1. Leading the Bank and ensuring its culture is embedded within the Bank, its entities, and business units, while promoting best practices for Environmental, Social, and Corporate Governance (ESG) within the Bank, its subsidiaries, and the Board of Directors.
2. Leading the Board of Directors, ensuring its overall effectiveness, and heading induction, evaluation, and development programs for the Board.
3. Having the authority to act and speak on behalf of the Board between meetings, including engaging with the Managing Director in an open and constructive manner, and reporting to the Board on matters occurring between meetings.
4. Representing the views of the Board and the Bank to stakeholders—including shareholders, regulatory authorities, and the community—and ensuring effective communication with them.
5. Ensuring the Board of Directors maintains a focus on strategic issues.
6. Facilitating a constructive relationship between the Board, Executive Management, and the Bank’s employees.
7. Encouraging Board members to express their opinions, contribute to discussions, accept differing viewpoints, and allow for diverse voting on issues.
8. Setting the agenda for each Board meeting in collaboration with Board members, ensuring agendas focus on strategy, performance, sound management, the ESG Manual, and risk management, with business integrity issues as a regular agenda item.
9. Ensuring that Executive Management provides all Board members with accurate, clear, high-quality, and timely information to enable sound decision-making.
10. Ensuring the Board defines the nature and extent of banking risk appetite and that no barriers exist to the Board’s oversight of risks.
11. Ensuring all Board members sign the meeting minutes.
12. Ensuring succession planning for the composition of the Board and its committees.
13. Identifying and ensuring requirements for the ongoing development, expertise, and training of Board members, and requiring new members to attend an orientation program before or shortly after their first meeting to understand the Bank’s strategies and operations.
14. Coordinating with the Secretary of the Board regarding the Board’s information requirements.
15. Inviting the Central Bank to attend General Assembly meetings and sending the meeting agenda at least (15) days in advance to enable the nomination of its representatives for the meeting.
16. Ensuring the Central Bank is notified of any material information.
17. Monitoring the development of Board members by conducting at least two training sessions annually in the field of sustainability and climate-related financial risks.

Eighth: The Managing Director

The Managing Director of the Bank is responsible for implementing the decisions of the Board of Directors within the limits of the authorities granted to him by the Board. Therefore, the Board shall appoint a Managing Director from among its members, other than the Chairman or the Vice-Chairman, provided that he meets at least the following criteria:

1. He must be a person of integrity and good reputation, and must fulfill all legal requirements stipulated in the effective Banking Law and the effective Companies Law, as follows:
 - He must be at least (30) years of age.
 - He must possess legal capacity and be a fit and proper person.

- He must have the banking experience and competence required by banking operations, with no less than (10) years of experience.
 - He must not be a Managing Director, an administrator, or an employee of any other bank.
 - He must be a resident of Iraq.
2. Full-time commitment to managing the Bank's operations.
 3. Possession of practical experience in the executive management of banks in accordance with the Bank's rules and regulations.
 4. Must hold at least a Bachelor's degree in Finance and Banking, Business Administration, Accounting, Economics, Law, or any of the disciplines related to banking.
 5. In the event of a sudden resignation of the Managing Director, the Board of Directors is required to appoint a temporary Managing Director immediately until a permanent Managing Director is appointed within the specified period of three months, while providing the Central Bank of Iraq with the appointment or dismissal decision.

Ninth: Secretary of the Board of Directors

The Secretary of the Board is appointed or dismissed by a decision of the entire Board. The Board of Directors determines the Secretary's qualifications and duties, and the Secretary is accountable to the Board through the Chairman.

The Secretary of the Board enjoys full independence in performing their duties, providing objective support to the Board and its committees. Their tasks include the following:

1. Providing information to the Chairman and members of the Board regarding the Environmental, Social, and Corporate Governance (ESG) Manual.
2. Maintaining all information systems and processes necessary for the Board to perform its role and achieve the Bank's purpose and strategy, including compliance with the ESG Manual.
3. Providing any new Board member with an induction program, including the Bank's governance document, the Board's duties and responsibilities, legal and regulatory requirements, the letter of appointment, meeting dates, and a copy of all laws and regulations applicable to the Bank.
4. Organizing the Board's annual calendar, schedules, and meetings with the Chairman's approval, and providing documents and papers relevant to the agenda to the Board after the Chairman's approval.
5. Attending all Board meetings and maintaining a record of key discussions, proposals, objections, reservations, and the voting process on Board decisions. This includes utilizing audio-visual recording or any other appropriate method to ensure accurate documentation of the meeting, recording attendance, and maintaining and certifying minutes while ensuring Board members sign them.
6. Providing administrative and organizational support to Board committees by organizing meetings and managing documents and minutes. This involves receiving committee reports and submitting them to the Board, ensuring Board members sign the minutes, following up on the implementation of decisions, and managing their sequential numbering. Additionally, they must safeguard all records and documents using secure means that ensure confidentiality, integrity, and restricted access to authorized personnel only.
7. Providing the Central Bank with meeting minutes certified by Board members, and sending a copy of the General Assembly meeting minutes to the Ministry of Trade - Companies Registration

Department for certification, then forwarding the version certified by the Companies Registration Department to the Central Bank of Iraq.

8. Ensuring compliance with all legal requirements related to Board affairs, including maintaining records of General Assembly meetings; ensuring the attendance of Board members, key members of Executive Management, and the external auditor at General Assembly meetings; and communicating with shareholders and organizing General Assembly meetings, including issuing invitations to shareholders, the Central Bank, and the Companies Registration Department.
9. Maintaining current shareholder data and disclosures of Board members' interests.
10. Following up on annual or updated disclosures provided by Board members regarding personal interests and relationships that may constitute a conflict of interest, ensuring they are documented in official records, and notifying the Chairman or the specialized committee of any potential conflict of interest cases to take necessary measures according to the approved policy.

Chapter Four: Board Committees

The Board of Directors shall form permanent and specialized committees responsible for following up on specific pillars such as auditing, risk, technical governance, nominations and remunerations, and sustainability. Each committee shall include non-executive members to ensure impartiality and shall be granted the necessary powers to perform its tasks efficiently, provided that the committees' charters are reviewed annually and published to the public to enhance transparency.



First: General Framework for Board Committees

1. Permanent committees emanating from the Board of Directors shall be formed, including the (Audit Committee, Risk Management Committee, IT and Communications Governance Committee, Nominations and Remunerations Committee, and the Environmental, Social, Corporate Governance, and Sustainability Committee).
2. The Board of Directors shall appoint the members of the committees, provided they are Board members only. Executive Management may be requested or invited to participate in Board committee meetings, but they shall not have the right to vote in these meetings.
3. In the event that the Chairman of the Board is a non-independent member, he is not permitted to join the membership of committees emanating from the Board of Directors.

4. Each committee shall be chaired by an independent non-executive Board member. All committee members must be non-executive Board members and must possess the appropriate skills or expertise for the work of those committees.
5. The Board of Directors shall define and approve a charter for each committee that includes its purpose, role, authority, and composition. The committee charters shall be reviewed annually and published on the Bank's website.
6. Although the Board of Directors has established the Environmental, Social, Corporate Governance, and Sustainability Committee to support its oversight of ESG aspects and climate issues, other committees may have specific responsibilities related to ESG, sustainability, and climate issues.
7. The Bank's Board of Directors may, from time to time, assign specific work to a specific committee.
8. Additional committees may be formed by a decision of the Board of Directors from time to time. The Board shall define in its work charter the structure of the new committee, its scope of work, responsibilities, and the timeframe required to complete the relevant tasks.
9. All Board committees shall have adequate resources, as determined by the committee, to operate effectively.
10. Board committees shall have free access to management and be provided with sufficient information, as well as access to relevant and necessary external advisory support with the approval of the Board of Directors.
11. Board committees shall review the Bank's activities and operations on behalf of the Board of Directors, and the committee chairman shall submit the recommendations made during the committee meeting to the Board of Directors for decision-making.
12. The Board of Directors does not grant decision-making authority to a committee emanating from it, as it must ratify the committees' recommendations. The Board of Directors cannot abdicate responsibility for the governance requirements undertaken by Board committees.
13. Each committee shall conduct an annual evaluation of its activities.

Second: Board Committee Meetings

1. Each Board committee shall have a rapporteur who is either the Secretary of the Board of Directors or their representative from the Board Secretariat staff. The committee rapporteur shall record the minutes of the committee meetings, including recommendations submitted to the Board of Directors, and the minutes of the Board committee meetings shall be available to all Board members.
2. The Secretary shall circulate the agenda and meeting documents to the committee members at least ten days prior to the meeting date.
3. Each Board committee shall meet at least four times a year, and whenever necessary to fulfill its responsibilities. Each committee shall report at least quarterly to the Board of Directors on the committee's meetings and the topics addressed regarding important aspects, or present it at the next Board of Directors meeting.
4. A legal quorum for a committee meeting is achieved by the attendance of at least two committee members, provided they are independent non-executives, or by the attendance of the majority of members including two independent non-executives, whichever is greater.
5. In the event of the absence of the committee chairman from a committee meeting, the committee members present shall appoint one of its members to be the chairman for that meeting.
6. Other Board members have the right to attend committee meetings and shall receive the meeting agenda upon request.

Third: Audit Committee

The Audit Committee shall consist of at least three members, provided they are independent non-executive members. Its membership shall include the Chairman of the Risk Management Committee. Committee members may not serve on the boards of directors of more than three other companies, nor may they be members of the audit committee of any other bank within Iraq. The Board of Directors must ensure that all committee members are conversant with financial and accounting practices and are financially literate, and that the Chairman of the committee is a financial expert and an independent non-executive member of the Board.

Duties and Powers of the Committee:

Without any limitation or restriction to its role, the committee shall perform the following:

1. Assisting the Board of Directors in aspects related to the Bank and its subsidiaries regarding the preparation of external financial information reports, the internal control framework, the internal auditor and the internal audit function, the external auditor and the external audit function, and compliance with applicable laws and regulations.
2. Coordinating closely, as necessary, with other Board committees on matters of mutual interest.
3. Overseeing the integrity of the financial statements prepared in accordance with professional accounting requirements and the financial reporting standards of the Bank and its subsidiaries.
4. Overseeing the Bank's compliance with applicable laws and regulations, the preparation of regulatory reports, and the application of professional accounting standards.
5. Ensuring that the internal audit and compliance work plans include assessing adherence to policies related to environmental and social risks and evaluating the integrity of these policies on an ongoing basis.
6. Holding periodic meetings with the external auditor, internal auditor, Compliance Officer, and the AML/CFT Officer without the presence of any members of Executive Management.
7. Recommending to the Board of Directors the adoption of all policies related to auditing, compliance, and anti-money laundering and counter-terrorism financing (AML/CFT).
8. The committee has the right to obtain any information from Executive Management and to summon any manager to contribute to the meetings.
9. Reviewing and monitoring all related-party transactions and recommending to the Board of Directors the approval of transactions that exceed the prescribed limits.
10. Monitoring the implementation of AML/CFT policies and procedures and ensuring the Bank's commitment to them.
11. Overseeing the Bank's compliance with applicable laws and regulations and the application of accounting and professional standards.
12. Ensuring that internal audit and compliance work plans include an ongoing assessment of adherence to and the integrity of environmental and social risk policies.
13. Reviewing and approving the whistleblowing policy, conducting independent investigations, and protecting the whistleblowing employee when necessary, while including the results in the committee's annual report.
14. Overseeing the implementation of crisis and disaster recovery programs in coordination with the IT Committee and other Board committees.

15. Periodically reviewing (every three months) the annual plan for the Bank's financial inclusion strategy after its approval and submitting the results to the Bank's Board of Directors.
16. Reviewing the annual training and development plan and following up on its implementation.
17. Receiving annual reports from the Compliance Department regarding cases of fraud and corruption and the measures taken, and submitting necessary recommendations to the Board of Directors.

The Committee's Relationship with the Internal Auditor:

In its relationship with the internal auditor, the committee shall perform the following:

1. Providing recommendations to the Board of Directors regarding the appointment, dismissal, promotion, and transfer of the internal auditor, and ensuring their independence. It must also directly review the internal auditor's objectives, performance, and annual bonuses on an annual basis.
2. Overseeing the performance of the internal audit function and the independence of the operations conducted by the internal auditor, as well as approving and monitoring the effectiveness of the Bank's internal controls.
3. Submitting annual recommendations to the Board of Directors regarding the scope of the internal audit, including the assessment of environmental and social risks, ensuring the provision of adequate resources for the effectiveness of the internal audit function, and approving changes to the annual internal audit plan.
4. Meeting regularly with the internal auditor to discuss and receive information regarding the Bank's operations and integrity, and discussing significant findings reached by the internal auditor with Executive Management.
5. Meeting regularly with Executive Management and the internal auditor to discuss the findings contained in the external auditor's report, as well as any significant issues and judgments related to financial reporting, major changes in banking accounting policies, semi-annual and annual financial statements, non-financial disclosures (sustainability and climate-related disclosures), and disclosures in the annual report.
6. Reviewing and discussing the processes through which management ensures the integrity of information in public documents and records, including the annual report and the ESG Scorecard reports submitted to the Central Bank and published on the Bank's website, including data related to profitability, sustainability, and the impact of ESG risks on the Bank.
7. Ensuring that audit-related matters raised by the Board's Risk Management Committee with the Audit Committee are addressed and appropriately rectified.
8. Ensuring compliance with international standards and AML/CFT policies and procedures in all Bank activities and procedures.
9. Investigating, reviewing, considering, and auditing any operations, procedures, or controls that may affect the strength and soundness of the Bank.
10. Submitting recommendations to the Board of Directors regarding the Bank's organizational structure in terms of establishment, abolition, or merger, and defining the tasks, specializations, and amendments of these structures.
11. Reviewing the annual training and development plans for employees of the Financial Department, Internal Audit, and other relevant staff, and providing recommendations to Executive Management and Human Resources regarding training and development.
12. Preparing a quarterly report on the committee's activities to be submitted to the Board of Directors.

13. Approving accounting policies and procedures, the internal audit plan, and the application of relevant standards; ensuring the Bank's commitment to disclosure requirements in accordance with international standards and regulatory circulars while following up on updates; additionally, including an assessment of the adequacy of internal control systems in the annual report and periodically reviewing the gift register to ensure gifts are not excessively given or accepted.

The Committee's Relationship with the External Auditor:

In its relationship with the external auditor, the committee shall:

1. Propose the appointment or dismissal of the external auditor and submit recommendations to the Board of Directors and shareholders.
2. Oversee the contracting with the external auditor regarding their qualifications, performance, fees, and independence, and provide general oversight of external audit work.
3. Review and approve policies for tax and non-audit services to ensure they do not conflict with the auditor's independence.
4. Review the external audit plan to ensure coverage of all material risks, including environmental and social standards and financial reporting.
5. Oversee the exchange of information with the auditor and evaluate their performance, the quality of their work, and the competence of their team.
6. Discuss audit procedures, difficulties, limitations, and any violations with management, as well as the extent to which they have been addressed.
7. Meet with the auditor without management's presence to discuss internal controls and the accuracy of financial reports.
8. Meet regularly with the external auditor to receive and discuss their reports and any relevant aspects arising from the audit. These meetings include discussions on audit work and related matters, including semi-annual and annual financial statements, operations, and non-financial disclosures (sustainability and climate-related disclosures).
9. Discuss audit findings with management and ensure that corrective actions are taken in a timely manner.
10. Approve the external auditor's report, which includes recommendations and actions the Bank will take to mitigate high AML/CFT risks identified in the risk assessment results, and submit recommendations to the Board of Directors.

The Committee's Relationship with Compliance:

In the field of compliance, the committee shall perform the following:

1. Approving, based on the recommendation of the Managing Director, the appointment or dismissal of the Compliance Manager, setting objectives for the Compliance Manager, and reviewing their performance annually.

2. Defining and ensuring compliance with the Bank's requirements and international standards in all Bank activities and operations, including compliance with environmental and social policies, especially those related to environmentally sustainable investment offerings.
3. Monitoring adherence to Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) instructions and applicable regulations, reviewing AML/CFT reports, and reporting on them to the Central Bank of Iraq.
4. Providing information to the Board of Directors regarding the Bank's policies and procedures related to compliance and applicable laws and regulations concerning financial information, reporting, and disclosure.
5. Receiving regular reports from Executive Management and the external auditor to ensure that the Bank is compliant with applicable legal and regulatory requirements, particularly regarding financial information, reporting, and disclosure.
6. Reviewing reports submitted by management and the external auditor regarding material weaknesses and reportable conditions in the internal control environment, including any significant deficiencies in the design or implementation of internal controls that could adversely affect the Bank's ability to record, process, summarize, and report financial data.
7. Reviewing reports submitted by the Bank to the Central Bank, which disclose the Bank's activities and operations.
8. Monitoring compliance with the U.S. Foreign Account Tax Compliance Act (FATCA).
9. Reviewing reports issued by the Compliance Department and sending recommendations and observations regarding them to the Board of Directors.

The Committee's Relationship with Information and Communication Technology (ICT):

1. The Committee must ensure that the Bank's internal and external auditors implement specialized audits for relevant information and technology.
2. The internal ICT audit task may be outsourced to a specialized external party that is independent of the certified external auditor in this regard, provided that the requirements of the ICT Governance Regulations are met. The Committee shall retain its function of ensuring compliance with regulations and ensuring that minimum requirements are satisfied.

Fourth: Risk Management Committee

The Board of Directors shall appoint the members of the Risk Management Committee, which shall consist of at least three members, all of whom must be independent and non-executive. Its membership must include the Chairman of the Audit Committee and the Chairman of the IT and Communications Governance Committee. The Chairman of the Board may not serve as the Chairman of this committee. Committee members must be independent and not serve on the boards of directors of more than two other companies, possessing sufficient experience in managing significant banking risks, and including at least one member knowledgeable in Environmental and Social (E&S) risk management.

Duties and Powers of the Committee:

Without any restriction to its role, the Risk Management Committee shall perform the following:

1. Approving the appointment or dismissal of the Risk Management Manager and verifying their remuneration terms based on the recommendation of the Managing Director.
2. Setting objectives for the Risk Management Manager, reviewing their performance annually, and ensuring their independence and the effectiveness of the risk management function.
3. Overseeing risk governance within the Bank and its subsidiaries, including IT, sustainability, financial, and environmental and social risks; coordinating with other Board committees; and submitting regular reports to the Board of Directors.
4. Designing and implementing a risk management framework according to the "Three Lines of Defense" model and integrating the Environmental and Social Risk Management System (ESMS).
5. Ensuring the risk management function is appropriate to the Bank's size and complexity, providing adequate resources, and integrating E&S risks into relevant documents and processes.
6. Defining and annually reviewing the Bank's risk appetite, including E&S risks, and monitoring types of material risks at the Bank level.
7. Holding committee meetings at least four times a year, with the possibility of inviting Executive Management to participate in explanations without granting them the right to vote.
8. Conducting an annual evaluation of its performance and fulfillment of responsibilities, and reviewing the committee charter annually to recommend any changes to the Board of Directors.
9. Adopting the methodology for assessing Money Laundering and Terrorism Financing (ML/TF) risks by the Board of Directors upon the committee's recommendation, updating it regularly, and ensuring its proper application.
10. Adopting the annual report on ML/TF risk assessment and submitting recommendations to the Board of Directors.
11. Recommending that the Board of Directors adopt any policies and material changes related to the risk management framework.

Regarding risk culture and behaviors, the Committee shall:

1. Review the risk management framework and related reports, and recommend material policy changes to ensure effectiveness within approved risk appetite levels.
2. Ensure the existence of separate documentation for Environmental and Social (E&S) risk management, including physical and transitional climate-related risks.
3. Provide guidance to the Board of Directors regarding the assessment of E&S risks in the Bank's operations, products, services, and environment.
4. Monitor the current and future risk profile and submit recommendations for the adoption of the risk strategy to the Board of Directors.
5. Monitor emerging risks, controls, and mitigation measures, while submitting periodic reports to the Board of Directors.
6. Oversee the risk management structure and approach, and recommend changes or the exit from activities that pose intolerable risks.
7. Oversee management's implementation of policies and processes to support effective risk management, including material changes in policies and operational structures.
8. Review the credit risk management policy, monitor its implementation, and ensure the integration of environmental, social, and climate risks.
9. Oversee operational, liquidity, and market risk management systems, taking into account environmental, social, and climate risks.

10. Determine the credit limits authorized for the Managing Director or the Regional Manager.
11. Monitor the Bank's ability to comply with Basel Committee standards for capital adequacy and banking supervision.
12. Ensure the Bank's compliance with all applicable risk management instructions and policies.
13. Maintain continuous communication with the Risk Management Manager and obtain regular reports, including recommendations regarding delegated limits and ceilings.
14. Review reports on violations and non-compliant policies, including financial crimes, bribery, corruption, money laundering, and terrorism financing, as well as the actions taken.
15. Oversee and monitor capital and cash flow strategies to ensure alignment with the approved risk framework.
16. Oversee capital adequacy and liquidity, incorporating environmental, social, and climate risks into assessments and stress tests.
17. Receive and review periodic reports from Executive Management committees, such as the Credit, Investment, and IT committees.
18. Review and monitor the investment policy, provide recommendations to the Board of Directors, and oversee its implementation.
19. Evaluate the performance of internal and external investment portfolios and monitor movements in local and international capital markets.
20. Include an annual report outlining the committee's membership, risk framework, activities, material and expected risk levels, and risk appetite.

Regarding Information Technology and Cybersecurity risks, the Committee shall:

1. Establish a framework for Information and Communication Technology (ICT) risk management concepts in a systematic and coordinated manner.
2. Ensure the existence of specific ICT policies and standards, reviewing them regularly and updating them continuously.
3. Understand the full risks associated with ICT outsourcing before appointing providers.
4. Ensure the existence of a policy to protect system assets and determine their significance.
5. Establish effective risk management and internal control practices to achieve data confidentiality and system security.
6. Review reports from the Information Security Department covering the status of IT security risks on a periodic basis and submit recommendations to the Board of Directors.

Fifth: IT and Communications Governance Committee

Given the importance of Information Technology (IT) to banking operations and activities, the Board of Directors shall form the IT and Communications Governance Committee to support the oversight of the Bank's IT infrastructure, digitization strategies, technical systems, communications processes, and data. Therefore, the Board shall appoint the members of the IT and Communications Governance Committee, consisting of at least three members, all of whom must be independent non-executive members. The committee's membership shall include the Chairman of the Board if they are an independent member, provided they do not serve as the Chairman of this committee.

Duties and Powers of the Committee:

Without any restriction to its role, the Committee ensures oversight of all ICT aspects within the Bank to ensure that relevant functions operate efficiently and effectively to support the Bank's needs, strategies, objectives, operations, and significant technical investments. It provides constructive challenge to management regarding the strategy, governance, and implementation of technical matters, including data and cyber technologies. Therefore, the Committee shall:

1. Comply with the IT Governance Manual issued by the Central Bank of Iraq in 2019.
2. Ensure the existence of an appropriate ICT governance structure within the Bank.
3. Monitor and oversee all IT initiatives, adopt the technical planning strategy, and coordinate with the Risk Management Committee regarding technical risks.
4. Oversee the work of the ICT Committee within Executive Management and receive monthly reports from it.
5. Monitor and evaluate current and future technical trends and their impact on the Bank's strategic plans.
6. Review and evaluate business cases involving significant IT components and provide recommendations to the Board of Directors.
7. Follow up on the implementation of IT projects to ensure compliance with administrative oversight, quality, budget, scope, and business benefit.
8. Investigate, when necessary, any ICT matters deemed important by the Board.
9. Receive and review Executive Management reports related to software development, performance, cybersecurity, technical architecture, technical operations, and technical investments, with the right to utilize the Bank's resources to obtain necessary information.
10. Submit periodic reports to the Board of Directors regarding the IT Committee's activities and the status of ICT, and immediately notify the Board of any matters of concern.
11. Provide the Board of Directors with sufficient information regarding IT performance and the status of key projects to enable informed decision-making.
12. Adopt the cybersecurity policy and submit recommendations to the Board of Directors for approval.

Sixth: Nominations and Remunerations Committee

The Board of Directors shall appoint the members of the Nominations and Remunerations Committee, consisting of at least three members, all of whom must be independent and non-executive. The membership shall include the Chairman of the Board if they are an independent member. However, the Chairman of the Board may not chair any committee meeting in which the performance of the Chairman is discussed. Committee members may not serve on the boards of directors of more than three other companies.

Duties and Powers of the Committee:

The committee's duties include the following:

1. Supporting the Board of Directors and ensuring it is composed of qualified members capable of fulfilling their legal and regulatory duties.
2. Developing the nomination policy for Board members, reviewing the composition of the Board and its committees, and overseeing a transparent selection process based on merit and competence.

3. Defining criteria for new members of the Board and Executive Management, excluding appointments related to the Internal Auditor and the Risk Management Manager.
4. Overseeing the planning and evaluation of candidates to ensure an orderly succession for Board members, committees, and executive positions.
5. Recommending Board candidates for consideration for appointment by shareholders, focusing on necessary competence, credibility, and experience.
6. Considering candidates proposed by shareholders, including majority shareholders, and conducting an annual review of the mix of skills and expertise, disclosing them in the annual report.
7. Providing recommendations regarding Board committee membership and approving executive appointments based on the recommendation of the Managing Director.
8. Approving leadership appointments in accordance with the instructions of the Central Bank of Iraq.
9. Reviewing and adopting remuneration policies for Board members and Executive Management, ensuring that members do not participate in determining their own remuneration, and overseeing the implementation of these policies.
10. Ensuring the establishment of ongoing training programs for Board members to keep pace with banking and financial developments.
11. Developing a diversity and inclusion policy and reviewing annual progress toward achieving its goals.
12. Overseeing the annual evaluation of the Board, its committees, and its members, and reviewing the performance of Executive Management and Human Resources management, while providing necessary recommendations to the Board of Directors.

Seventh: Environmental, Social, Corporate Governance, and Sustainability (ESG) Committee

The Environmental, Social, Corporate Governance, and Sustainability Committee shall consist of at least three members, all of whom must be independent and non-executive. It shall include the Chairman of the Board if they are an independent member, in which case they shall serve as the Committee Chairman. If the Chairman of the Board is not an independent member, the committee shall be chaired by one of the independent non-executive members. The Chairman of the committee must possess appropriate experience and knowledge in the fields of sustainability, environmental and social risks, and corporate governance to enable them to perform their duties effectively.

Duties and Powers of the Committee:

The committee shall perform the following:

1. Monitoring and overseeing the maintenance of environmental, social, and corporate governance standards, including climate-related affairs. The committee may delegate a subcommittee to monitor and oversee climate-related matters within the Bank.
2. Periodically reviewing effective ESG structures, including the establishment and dissolution of additional Board committees, and proposing any changes for Board approval.
3. Ensuring compliance with the independence requirements for Board members and the disclosure of interests.
4. Regularly reviewing and enhancing the requirements of the Code of Conduct and the Bank's policy on managing conflicts of interest.

5. Ensuring the implementation and regular updating of the ESG manual and climate-related documentation.
6. Ensuring the Bank's compliance with applicable laws, instructions, and regulations in the field of ESG standards.
7. Ensuring that the Bank, Board members, and Executive Management implement the Bank's ESG manual, policies, and procedures.
8. Reviewing annual training and development plans for Executive Management and staff across the Bank regarding ESG, sustainability, and climate, and providing recommendations to Executive Management and Human Resources in this regard.
9. Recommending that the Board of Directors adopt the policy related to climate-related aspects.
10. Preparing and reviewing annual sustainability reports and ESG scorecard reports, ensuring their accuracy and alignment with regulatory requirements and international standards. The committee shall submit its recommendations to the Board for approval before they are published on the Bank's official website and submitted to relevant regulatory authorities. In this regard, the committee shall coordinate with the Audit Committee concerning the reporting process. The external auditor must provide limited assurance on the ESG report during the first three years, after which the external auditor must provide reasonable assurance on the ESG report.

Eighth: The Supreme Committee

The objective of the Supreme Committee emanating from the Board of Directors is to oversee and approve decisions whose amounts exceed the authorities of the Bank's Executive Management Committee. This is based on the recommendations of those committees and in accordance with the policy and limits approved by the Board of Directors regarding the granting of facilities or investment operations, in addition to ensuring the implementation of the credit policy and investment policy. The Supreme Committee emanating from the Board shall consist of at least three members of the Board of Directors, whose names shall be determined by a resolution of the Board. The term of membership in the committee shall be the same as the term of the Board of Directors, and the committee's term shall end with the expiration of the Board's term. The Board of Directors may reconstitute the committee before the end of the membership term if circumstances so require.

Duties and Powers of the Committee:

The committee shall perform the following:

11. Authorizing credit transactions that exceed the authorities of the Executive Management Committee.
12. Authorizing investment transactions that exceed the authorities of the Executive Management.
13. Authorizing decisions to sell real estate owned by the Bank after they are presented to the Management Real Estate Committee.
14. Approving and authorizing credit products and programs.
15. Recommending acceptable collaterals to the Board.
16. Overseeing and monitoring the work of the Credit Committee emanating from the Executive Management.

17. Ensuring the quality of the credit-granting process and the existence of a sound and effective internal control system, in addition to ensuring that all elements of the credit file are available and that the process as a whole complies with applicable laws and regulations.
18. Overseeing the monitoring of the Bank's investment activities and taking decisions in light of the powers granted to it, in addition to following up on the implementation of investment decisions taken by the Board of Directors.
19. Approvals are subject to exercising the necessary due diligence in assessing credit risks and ensuring that these risks are covered through an appropriate facility structure and the fulfillment of acceptable collaterals and conditions.
20. The use of authority limits is subject to compliance with local legislation, such as credit concentration limits.
21. Adhering to the authorities prescribed by the Board of Directors and according to the approved delegation of authority matrix.
22. The committee shall evaluate its performance annually to ensure performance efficiency and effectiveness and identify areas for development and improvement, submitting its recommendations to the Board of Directors accordingly.

Ninth: Strategic Committee

The Committee aims to support the Board of Directors in its functions and supervisory role through the strategic monitoring of the Bank. The Committee shall consist of at least three members of the Board of Directors, whose names shall be determined by a resolution of the Board.

Duties and Powers of the Committee:

1. The Committee shall have free access to Executive Management to obtain sufficient information.
2. The Committee has the right to summon any manager to contribute to and attend any of its meetings.
3. The Committee may obtain necessary external advisory support with the approval of the Board of Directors.
4. Monitoring and overseeing the implementation of the standards of the banking sector reform plan.
5. Discussing reports and recommendations related to the Bank's business to ensure their alignment with the strategic direction.
6. Approving final recommendations related to the strategy and its implementation before they are presented to the Board of Directors.
7. Monitoring and following up on performance, and proposing remedial measures during the implementation of the approved strategic plan.
8. Monitoring and following up on the implementation of strategic projects, such as operations centralization, development of policies and procedures, etc.
9. Discussing and authorizing Executive Management recommendations related to the Bank's branching.
10. Approving Executive Management recommendations related to the purchase and lease of real estate for the purposes of conducting the Bank's business.
11. Authorizing contracting and spending transactions that exceed the authorities of Executive Management, according to the approved schedule of contracting and spending authorities.

12. Reviewing and providing recommendations to the Board of Directors regarding the Bank's comprehensive strategy and all related matters.
13. Reviewing reports and recommendations issued by the Strategy Department regarding the strategic plan approved by the Board of Directors, and providing necessary recommendations to the Board.
14. Reviewing and adopting the minutes of previous Committee meetings and following up on decisions taken.
15. Periodically reviewing the Committee's work charter to evaluate its adequacy and enable the Committee to perform its assigned duties and responsibilities, and presenting any necessary amendments to the Board of Directors for approval.
16. Any other tasks deemed necessary by the Committee, provided they do not overlap with the work of other Board committees.

Chapter Five: Conflict of Interest Management

The Board of Directors shall exercise due diligence in arranging the Bank's affairs and the personal affairs of Board members and Executive Management to avoid any conflict between personal interests and the interests of the Bank. To this end:

1. Each Board member shall disclose their interests annually in writing. This disclosure must be updated whenever the Board member's interests change.
2. The Board of Directors shall develop and adopt a banking conflict of interest policy, which must include a sub-section on policies and processes for handling related-party transactions.
3. The Board of Directors shall include in the conflict of interest policy procedures for dealing with conflicts that may arise when the Bank is part of a banking group. Any conflict of interest resulting from the Bank's relationships with group companies must be disclosed in writing.
4. The Bank shall include in the conflict of interest policy procedures for dealing with related persons to ensure that such transactions and persons are identified and handled in accordance with the policy.
5. Banking controls shall ensure that transactions with related persons are reviewed and approved in accordance with applicable policies and procedures. The Audit Committee shall review and monitor all related-party transactions, recommending approval to the Board of Directors for transactions that exceed prescribed limits and informing the Board of such transactions.
6. The Bank shall maintain transparency with the Central Bank and provide it with relevant information, including the number of shares pledged by Bank shareholders who own 1% or more of the Bank's capital, and the identity of the pledgee.

Chapter Six: Code of Conduct

The Code of Conduct defines the clear standards of behavior expected from everyone associated with the Bank and the manner in which the Bank is expected to conduct its business. Therefore:

1. The Board of Directors shall develop and adopt a Code of Conduct that applies to the Board and all Bank employees, including Executive Management. It shall ensure that all concerned parties understand the expected standards of professional conduct, procedures, and decisions.

2. All Board members, Executive Management, and employees are committed to the Code of Conduct to ensure the Bank gains and maintains the trust of stakeholders.
3. All Board members, Executive Management, and employees shall refrain from accepting gifts, invitations, or benefits of value, except for those that are customary and approved according to the Bank's gift policy.
4. All Board members, Executive Management, and employees are committed to reporting any unethical practices, legal violations, or breaches of any approved policies, including the Code of Conduct.
5. The Board of Directors shall ensure its own commitment, as well as that of Executive Management, to the behaviors outlined in the Code of Conduct.

Chapter Seven: Executive Management

First: Executive Management Framework

Executive Management consists of highly competent senior bank officials who possess high degrees of credibility, integrity, efficiency, banking experience, and commitment. The Board of Directors and the Nominations and Remunerations Committee are responsible for ensuring the suitability and competence of Executive Management staff. Board approval must be obtained for appointments to Executive Management positions, and Central Bank approval is required for leadership positions as stipulated by applicable regulations.

Candidates for Executive Management positions at the Bank of Baghdad must provide the bank with their CVs, supporting documents, academic degrees, experience certificates, certificates of good conduct, and other documents to facilitate Central Bank approval. The Central Bank of Iraq must be notified within three days of the resignation or dismissal of any member of Executive Management, including the reasons for such resignation or dismissal.

Qualifications for membership in the Bank's Executive Management include:

1. The person must be fit, proper, and have legal capacity.
2. The person must not have been convicted of a felony or a misdemeanor involving moral turpitude, and no decision must have been issued against them by a specialized authority that restricts them from exercising any leadership function.
3. The person must meet all legal requirements under the Banking Law and the instructions issued thereunder.
4. The person must not be a government employee with the rank of Director General or equivalent or higher.
5. The person must not be a member of the board of directors of another bank, unless that bank is a subsidiary of the Bank of Baghdad.
6. The person must be fully dedicated to managing the bank's business and must not hold any other functional role.

7. The person must hold at least a university degree in finance, banking, business administration, accounting, economics, law, sustainability, or information technology sciences, and their qualifications must be relevant and appropriate.
8. The person must have experience in banking or related business in accordance with the regulations approved by the Central Bank.
9. The person must not have held a position in the executive management of a bank whose license was revoked or that underwent bankruptcy proceedings.
10. The person must not have served as an administrative employee who was dismissed by the Central Bank.

Second: Executive Management Committees

Executive Management must form committees, each consisting of at least three members, to support its duties and enable it to submit regular reports to the relevant Board committees to ensure effective control and oversight of the bank. These committees shall inform the Board of Directors of their meeting dates so that any Board member may attend as an observer if they wish.



Executive Management committees include:

Credit Committee

This is an executive-level committee that meets at least once a month or as needed. The Risk Management Manager is permitted to attend its meetings without having the authority to vote on the committee's decisions. The committee performs the following:

1. Evaluating proposals for commercial credit facilities, as well as those granted to corporations and Small and Medium Enterprises (SMEs) within the Bank. This evaluation must include an assessment of exposure to Environmental, Social, and Climate-related (E&S) risks. The committee meets to evaluate proposals and approves or rejects transactions within its authority.
2. Submitting proposals that exceed its authority to the Board of Directors for approval, which must also take into account ESG-related (Environmental, Social, and Governance) risks and opportunities in the decision-making process.

3. Overseeing the implementation of the Credit Committee's instructions regarding the assessment of customers' creditworthiness and when making loan decisions, ensuring this assessment includes E&S risk evaluation.
4. Reviewing credit exposures by examining credit register accounts and bank customer affairs.
5. Monitoring loan repayment movements.
6. Cooperating with the Legal Affairs Department in the collection of non-performing loans (NPLs).
7. Working to collect doubtful debts to the greatest extent possible.
8. Documenting loan-granting procedures and participating in the loan-granting process.
9. Reviewing approvals for the issuance of financing plan letters issued by the Bank for the benefit of its customers, and verifying their consistency with the credit policies established and approved by the Board of Directors, while achieving three main objectives:
 - o Maximizing the profitability of the Bank's funds for the benefit of shareholders.
 - o Accepting loan grants on the basis of safety and collectability to protect depositors' funds.
 - o Meeting the community's needs for legitimate credit facilities within the country.

The committee's reports are submitted periodically to the Risk Management Committee emanating from the Bank's Board of Directors.

Investment and Liquidity Management Committee

This is an executive-level committee that meets at least once a month or as needed, and performs the following tasks:

1. **Segmenting the investment portfolio** into (equities, debt instruments), including all treasury transfers and government shares, as well as the foreign instrument components of the portfolio.
2. **Proposing transactions** to buy, sell, or hold components of the investment portfolio, and obtaining Board approval if these operations exceed its delegated authority.
3. **Regularly reviewing portfolio performance** against the benchmarks and indicators used by the Investment Department or investment units, and providing necessary recommendations in this regard.
4. **Reviewing investments and the investment portfolio** concerning issues, risks, and opportunities related to Environmental and Social (E&S) governance and climate-related indicators.

The committee's reports are submitted periodically to the Risk Management Committee emanating from the Bank's Board of Directors.

Information and Communication Technology (ICT) Committee

This is an executive-level committee that meets at least once a month or as needed. It submits a monthly report on its activities to the IT and Communications Governance Committee emanating from the Board of Directors, and performs the following:

1. Ensuring the segregation of duties between ICT management functions and the functions of other bank departments.
2. Complying with the provisions of the IT Governance Manual issued by the Central Bank of Iraq in 2019.

3. Developing, implementing, and updating an ICT policies and procedures manual, while providing necessary suggestions to develop the manual according to business requirements.
4. Reviewing and developing the uses of ICT and ensuring information and communication security.
5. Providing an adequate and operationally effective infrastructure for IT, ICT systems, electronic networks, and software used in the Bank.
6. Providing adequate and operationally effective procedures for maintaining updated backups of information to face potential crises and loss of databases.
7. Providing adequate technologies for electronic customer services and ensuring the effective operation of the Bank's customer technologies.
8. Inspecting and managing the quality and suitability of the Bank's internal network and its website.
9. Managing and monitoring the implementation of Business Continuity Plans (BCP) regarding IT components and programs for crisis management and disaster recovery.
10. Monitoring management methodologies to identify and achieve strategic objectives.
11. Maintaining awareness of exposure to IT risks and their respective controls.
12. Providing guidance related to risks, financing, and its sources.
13. Ensuring project prioritization and evaluating the feasibility of IT proposals.
14. Ensuring that all critical projects include a Project Risk Management component.
15. Consulting and advising on the selection of technologies within standards.
16. Ensuring the completion of vulnerability and gap assessments for new technologies.
17. Ensuring compliance with regulatory and legal requirements.

The committee's reports are submitted periodically to the Risk Management Committee emanating from the Bank's Board of Directors.

Provisions Committee

The objective of this committee is to ensure the existence of an effective system for monitoring and forming provisions in accordance with the Bank's approved methodology, policies, and regulatory instructions from the Central Bank of Iraq. This ensures accurate valuation and adequate coverage of potential risks. The committee meets periodically, at least once every three months or as needed, and performs the following:

1. Ensuring the alignment of provisioning policies with the instructions of the Central Bank and regulatory bodies.
2. Verifying the preparation of Expected Credit Loss (ECL) estimates in accordance with IFRS 9 standards and relevant regulatory instructions.
3. Periodically reviewing the methodologies and assumptions used for calculating provisions and keeping pace with economic and financial developments.
4. Ensuring the quality and regular updating of systems and data used in calculating expected credit losses.
5. Monitoring the issuance of reports on provisions and reserves and ensuring their accuracy within the specified timeframes.
6. Reviewing the adequacy of provisions and their periodic changes, comparing them with the quality of the credit portfolio.
7. Ensuring the adequacy of financial disclosures related to provisions in accordance with international standards.

8. Overseeing all types of provisions (End of Service, Operational, Legal, Regulatory, etc.) and applying international standards (IFRS 9 and IAS 37).
9. Supporting the implementation of recommendations from regulatory authorities and external auditors regarding provisioning policies or estimates.
10. Reviewing and evaluating the policies and procedures followed in calculating provisions and ensuring their consistency with international and local requirements.
11. Developing electronic systems for calculating provisions to ensure the accuracy of inputs, processes, and results.
12. Verifying the reasonableness of the assumptions and methodologies used to estimate expected credit losses.

The committee's reports are submitted periodically to the Supreme Committee emanating from the Bank's Board of Directors.

Pricing and Product Management Committee

This is a committee emanating from the Executive Management at the Bank of Baghdad, concerned with overseeing all aspects related to the pricing and management of banking products and services. It ensures alignment with approved policies, regulatory instructions, and Environmental, Social, and Governance (ESG) principles. The committee meets at least once every six months, or as needed, and performs the following:

1. Reviewing and approving proposals for new products and services.
2. Studying material amendments to existing products and services (prices, fees, commissions, interest rates, terms and conditions) and submitting recommendations to the Executive Management.
3. Monitoring and evaluating the performance of products and services throughout their lifecycle and proposing corrective actions when necessary.
4. Reviewing requests to suspend or withdraw any current product or service and providing recommendations.
5. Periodically studying interest rates and commissions, comparing them with the local market, and submitting recommendations for adjustment or stabilization.
6. Adopting price and commission schedules after studying their operational and financial impacts and submitting them to the Executive Management for presentation to the Board of Directors.
7. Providing comparison tables for current and adjusted prices when discussing any amendment, stating the percentage of change and the reasons behind it.
8. Maintaining an updated register of all approved products and services or those under review and following up on them regularly.
9. Ensuring that all recommendations comply with approved policies and the instructions of the Central Bank of Iraq and regulatory authorities.
10. Ensuring products are aligned with Environmental, Social, and Governance (ESG) principles, particularly for financing and investment products.
11. Proposing incentive programs to encourage employees or customers to engage with existing or new products.

The committee's reports are submitted periodically to the Risk Management Committee.

Third: Duties of Executive Management

Executive Management shall perform the following duties:

1. Exercising the delegated authorities and performing responsibilities in accordance with the resolutions of the Board of Directors.
2. Being accountable to the Board of Directors for managing the Bank's objectives and operations, and for integrating sustainability risks into the Bank's risk management.
3. Leading the Bank's day-to-day activities and reporting to the Board of Directors on them, while not allowing the Board to interfere in ordinary daily operations.
4. Structuring and implementing strategies and policies approved by the Board, including Environmental, Social, and Climate (E&S) strategies that fall under Central Bank regulations and other relevant controls.
5. Preparing, implementing, and amending strategic and operational plans for Board approval, and ensuring their effective execution.
6. Strictly complying with laws, instructions, regulations, guidelines, Bank policies, and Board resolutions.
7. Providing recommendations to the Board regarding aspects of the Bank's operations, including the implementation and improvement of deposit, loan, and investment management.
8. Implementing internal controls that establish a relationship between the Bank's business units (First Line of Defense), support and control functions (Second Line of Defense), and the internal audit function (Third Line of Defense), which constitute the "Three Lines of Defense" model.
9. Reviewing and implementing Bank expansion plans approved by the Board regarding new branches and offices.
10. Developing and establishing internal policies and procedures related to all Bank operations.
11. Preparing an effective organizational structure for the Bank that defines the main tasks, duties, and responsibilities of Executive Management and establishes key horizontal and vertical communication lines.
12. Ensuring the quality and effectiveness of the finance function, providing necessary resources, and reporting to the Board on financial affairs, including the preparation of annual financial statements and interim reports (at least quarterly and semi-annually) on the Bank's financial position, in accordance with International Financial Reporting Standards (IFRS).
13. Ensuring that Executive Management and employees adhere to the internal control systems established to protect the Bank's funds and assets and ensure the integrity of its operations.
14. Submitting recommendations to the Board regarding a suitable system for overseeing the Bank's risk management, including ESG risks. The Risk Management Department must implement the risk management system approved by the Board, appoint specialized staff for E&S and climate-related risk management, and ensure the system includes a sub-system specifically dealing with E&S risks faced by the Bank.
15. Providing relevant internal and external regulatory bodies with reports and information as required, and facilitating the tasks of regulatory oversight and supervisory authorities.
16. Keeping pace with developments in banking practices and ensuring compliance with international standards in the Bank's activities and operations.
17. Providing the Board of Directors with regular, accurate, and timely reports on the Bank's strategies, performance, and progress.

18. Creating and maintaining complete information records of the Bank's activities for **7 years**, supported by necessary documentation and an archiving system for those documents and records.
19. Discussing and coordinating efforts between various departments to ensure the efficiency of banking operations, adherence to established responsibilities and limits, and harmony and integration.
20. Identifying human resources needs and ensuring appropriate training and development for employees.
21. Monitoring the Bank's financial position and ensuring profitability within the required balance between risk and return and the Bank's annual plan.
22. Reviewing the official website of the Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) Office to stay informed of the list of entities and individuals for freezing terrorist funds and any additional requirements, and taking necessary actions if a customer appears as a person or entity on the list.
23. Approving the application of administrative system specifications and international standards, and receiving reports from the Quality Management Unit to ensure compliance with requirements regarding (employee/customer satisfaction) and taking necessary action.
24. Preparing a specialized policy and specific procedures for banking awareness and public protection, aligned with the Bank's objectives and strategy, ensuring they are presented to the Board for approval, and granting sufficient authorities and human resources to the Financial Inclusion Department.
25. Establishing an internal control system that ensures appropriate solutions are found and prevents the recurrence of complaints and objections in the future.
26. Ensuring that deficiencies identified during the AML/CFT self-assessment process are addressed, and referring them to all relevant departments to rectify failures and mitigate high risks within their respective jurisdictions.
27. Providing appropriate training for officials in the Compliance, Reporting, Risk, and Internal Audit departments, and providing adequate support in terms of human resources and technical systems to effectively conduct AML/CFT self-assessments.

Fourth: Internal Audit Department

Internal Audit performs the required periodic evaluation of the quality of the Bank's accounts, performance, and workflow, ensuring commitment to international standards. It submits periodic reports to the Audit Committee regarding the efficiency and suitability of the internal control operations and procedures approved and implemented by the Bank's management.

- Qualifications of Internal Audit Staff:

1. The Internal Audit Manager and their deputy must hold at least a bachelor's degree in accounting, bank management, financial and banking sciences, or any field of study related to banking. They must possess experience and practice in the field of auditing and control in accordance with the regulations and systems issued by the Central Bank in this regard.
2. Internal Audit staff must be specialists with experience in accounting and auditing and must regularly undergo training and development to ensure they keep pace with international best practices related to internal auditing in banks.
3. The Internal Audit Manager and their deputy must be at least **30** years of age.

4. The Manager must have at least 7 years of experience and practice (including 5 years in senior positions within banks), and the deputy must have at least 4 years.
5. The Manager and deputy must hold membership in a well-known professional association with professional expertise.

- Internal Audit Relationships Within the Bank:

1. The Board of Directors shall ensure that the internal audit function is under the direct supervision of the Audit Committee and guarantees its independence. The Internal Auditor shall be directly accountable to the Chairman of the Audit Committee.
2. The Internal Auditor shall have the authority to communicate directly with the Bank's Board of Directors, the Chairman of the Board, the Audit Committee, or the Compliance Manager.
3. Internal Audit staff are prohibited from performing any executive or operational tasks within the Bank to ensure total integrity and independence.
4. Monthly, quarterly, semi-annual, and annual reports on the results of internal audit work shall be submitted to the Audit Committee.
5. The internal audit function shall have a charter containing policies and procedures that must be approved by the Audit Committee and the Board of Directors, subject to review and update by the Audit Committee at least annually.
6. The Audit Committee shall review the internal audit function, internal controls, and oversight systems and their effectiveness at least once a year or whenever necessary.
7. The Internal Audit Department shall cover financial crime risks by performing comprehensive audit missions on operations covering various Bank activities. This aims to evaluate the efficiency and effectiveness of relevant regulatory controls and detect any potential gaps. These missions are executed according to a risk-based approach.

- Relationship of the Board with the External Auditor:

The Board of Directors, supported by the Audit Committee, shall:

1. Ensure the regular rotation of the external audit firm and its subsidiaries, affiliates, or sister companies every **five** years at most, from the date of the initial selection of the external auditor.
2. Support the work of the external auditor and ensure that the financial statements provide a true and fair reflection of the performance and financial position.
3. Emphasize the importance of effective communication between the external auditor, the Audit Committee, and the Board of Directors itself.
4. Take the necessary measures to ensure that management addresses weaknesses in the internal control and oversight systems or any other points raised by the external auditor.

Fifth: Risk Management

The Risk Management Department shall perform at least the following tasks:

1. Studying and analyzing all risks to which the Bank may be exposed (Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Regulatory Compliance Risk, Reputation Risk, IT and Cybersecurity Risk, ESG Risks, and Climate-related Risks).

2. Preparing a risk management framework and seeking Board approval for this framework based on the **Three Lines of Defense**, and reporting on the effectiveness of the framework to the Board.
3. Implementing the risk management strategy and developing policies and work procedures to identify and manage banking risks.
4. Developing methodologies to identify, measure, monitor, and regulate all types of risks, including Environmental, Social, and Governance (ESG) risks.
5. Reporting to the Board of Directors through the Risk Committee, with a copy to Executive Management. The report must include the actual risk profile of all Bank operations compared to the approved risk level. This includes, but is not limited to: Risk Appetite Reports, exposure reports, Stress Testing results, scenario analysis, and Internal Capital Adequacy Assessment Process (ICAAP) reports. The Board and the Risk Committee must monitor the implementation of any necessary adjustments or corrective actions.
6. Ensuring that risk measurement mechanisms are integrated into the Management Information System (MIS).
7. Providing recommendations to the Risk Committee regarding banking risk exposure and maintaining records of permitted exceptions to the risk management policy.
8. Providing necessary information regarding banking risks for disclosure purposes.

- Relationship of the Board with Risk Management:

The Board of Directors, supported by the Risk Management Committee, shall:

1. Ensure that the risk management function monitors the Bank's departments in accordance with established acceptable risk levels, including ESG risk levels.
2. Investigate the handling of all breaches and excesses of acceptable risk levels, including investigating the relevant Executive Management responsible for such breaches.
3. Ensure that the risk management function conducts regular stress tests to measure the Bank's ability to withstand shocks and high risks. The Board must play a significant role in approving the assumptions and scenarios used, discussing test results, and approving actions to be taken based on these results.
4. Adopt the Internal Capital Adequacy Assessment Process (ICAAP) methodology in accordance with the Basel Committee on Banking Supervision requirements and other international standards. This methodology must be comprehensive, effective, and capable of identifying all risks, taking into account the Bank's strategic and capital plans.
5. Ensure that risk management staff are experienced and qualified in banking risk management and provide the department with adequate resources to manage any expansion in the Bank's structure or operations.
6. Guarantee the independence of the Risk Management Department by having it report to the Risk Management Committee and granting it the necessary authorities to obtain information from other departments and cooperate with other committees.
7. Approve the Bank's acceptable risk degrees (Risk Appetite), which must align with risk levels proportional to the Bank's capital and financial position.
8. Regularly monitor and review the continuity of risk identification, measurement, management, and control steps, adjusting them as necessary according to the market and environment in which the Bank operates.

9. Ensure an efficient and effective information management system to support risk-related data and communication. Executive Management, the Risk Committee, and the Board must be provided with regular reports (at least monthly) reflecting compliance with defined risk levels. The system must also highlight breaches, their reasons, and corrective measures, with adequate investment in banking information systems.
10. Approve any material policies and changes related to risk management policies and frameworks.

- Role of Risk Management vs. Compliance Management:

- **Risk Management is responsible for:** Identifying, measuring, and monitoring all financial, operational, and strategic risks.
- **Compliance Monitoring Management is responsible for:** Ensuring the Bank's adherence to laws, instructions, regulations, and regulatory controls, including AML/CFT and sanctions requirements.

The two departments work complementarily within the Enterprise Risk Management (ERM) framework. Risk management operates within the **Three Lines of Defense** to ensure comprehensive and effective management across the Bank:

- **First Line of Defense:** Provided by front-office staff and operational management, as well as internal control systems and the control environment developed by business units.
- **Second Line of Defense:** Provided by the Risk Management and Compliance Management departments. These functions provide monitoring processes, tools, and systems to support the first line in identifying, managing, and monitoring risks.
- **Third Line of Defense:** Provided by the Internal Audit Department. This function provides a level of independent assurance that the risk management and internal control framework is operating as planned.

Sixth: Compliance Management

Compliance refers to the Bank's adherence to the legal, regulatory, and supervisory frameworks relevant to its business. This includes instructions and controls from the Central Bank of Iraq, Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) requirements, governance, internal control, risk management, financial consumer protection, data confidentiality, professional conduct standards, and the Bank's internal policies. The compliance function is responsible for monitoring, reporting, and advising on compliance risks without prejudice to the Board of Directors' and Executive Management's responsibility for general compliance.

Compliance Management tasks include:

1. The compliance function prepares policies and procedures to ensure the Bank's actual compliance with all applicable laws, regulations, principles, and guidelines. The Board of Directors must document and approve the tasks, responsibilities, and resources of the compliance function, publish them on the Bank's website, and circulate them across all branches.
2. The compliance function reports to the Audit Committee and provides a copy of the report to the General Manager or the Authorized Manager.

- Qualifications of Compliance Staff:

1. The Compliance Officer and their deputy must be at least **30** years of age.
2. The Compliance Officer and their deputy must hold a primary university degree in (Law, Financial Management, Public Administration, Accounting, Financial and Banking Sciences, Economics, or Statistics).
3. The Manager must have at least **5 years** of banking experience in all fields and **75** training hours. The deputy must have **3 years** of experience and **75** training hours, in addition to good proficiency in the English language.
4. They must have a comprehensive understanding of the laws, regulations, and instructions issued by the Central Bank, as well as laws indirectly related to financial and banking operations (being a lawyer is not a requirement).
5. They must be familiar with international banking services applicable in Iraq in accordance with the requirements of developing banking activity and the Iraqi economy.
6. The Compliance Department must be functionally, administratively, and technically independent. Independence is based on four elements:
7. The Compliance Department must have a formal and clear status within the Bank.
8. A Compliance Officer must be appointed to hold overall responsibility for coordinating compliance risks.
9. Compliance staff, particularly the Compliance Officer, must not be assigned to positions where a conflict of interest may arise between their compliance responsibilities and the duties of that position.
10. Compliance staff must have access to information and personnel to carry out their responsibilities.
11. The department must be provided with adequate and appropriate financial and human resources. Staff must possess the necessary qualifications, experience, and personal characteristics, and be properly familiar with effective laws and instructions.
12. Staff must possess the professional skills to keep pace with developments in compliance procedures and standards through regular and systematic educational and training courses.
13. The responsibility of the compliance activity is to assist Executive Management in effectively managing compliance risks. Responsibilities include:
 - **Advising**
 - **Guidance and Education**
 - **Identifying, Measuring, and Assessing Compliance Risks**
 - **Monitoring, Testing, and Reporting Risks**
 - **Legal Responsibilities** and coordination with external relevant parties, regulators, standard-setters, and external experts.
 - Carrying out responsibilities defined in the Bank's compliance policy.
14. Executive Management must involve compliance staff in professional development courses and allocate necessary funds for this purpose. The Central Bank of Iraq considers these courses an important part of the Bank's operations when evaluating performance.

- Relationship of the Board with Compliance Management:

1. The Board of Directors requires Executive Management to establish an independent compliance function provided with adequate resources and qualified staff.
2. The Board approves the tasks, responsibilities, and resources of the compliance function.

3. The Board reviews and adopts a clear policy to ensure the Bank's adherence to all laws, regulations, guidelines, and internal policies. The Board must review the compliance policy and verify its implementation regularly.

Seventh: Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) Department

- Qualifications of AML/CFT Department Staff:

1. The Money Laundering Reporting Officer (MLRO) and their deputy must be at least **30** years of age and must exclusively hold Iraqi nationality.
2. The MLRO and their deputy must hold a primary university degree in (Law, Financial Management, Public Administration, Accounting, Financial and Banking Sciences, Economics, or Statistics). The deputy MLRO may hold a diploma in the aforementioned specializations.
3. The MLRO and their deputy must have completed several training courses in the field of AML/CFT inside or outside Iraq, totaling at least **50** training hours for the Manager and **75** training hours for the deputy. They must obtain an accredited professional certification such as **ACAMS** (Certified Anti-Money Laundering Specialist), **CGSS** (Certified Global Sanctions Specialist), or **CFCS** (Certified Financial Crime Specialist). The Bank commits to enrolling them in international AML training courses within one year of their appointment; otherwise, the approval of their appointment shall be rescinded.
4. The MLRO must possess at least **5** years of banking experience with good proficiency in the English language, while the deputy must possess at least **3** years of banking experience.
5. They must be exclusively of Iraqi nationality, residing in Iraq with a permanent and known place of residence, fully dedicated to this position, and must not be employees of any other bank, company, or financial institution.
6. They must not have been convicted of a felony or a misdemeanor involving moral turpitude, and no decision must have been issued against them by a specialized authority that restricts them from exercising any leadership function.

The AML/CFT Department shall perform at least the following tasks:

1. Taking Customer Due Diligence (CDD) measures pursuant to the Anti-Money Laundering and Counter-Terrorism Financing Law No. (39) of 2015.
2. Developing and implementing programs to prevent money laundering and terrorism financing.
3. Not opening or maintaining anonymous accounts or accounts in fictitious names.
4. Adhering to the names of parties prohibited from dealings—whether natural or legal persons—as issued by local or international authorities and received by the Bank.
5. Immediately notifying the Anti-Money Laundering and Counter-Terrorism Financing Office (AMLO) of any transactions suspected of involving money laundering or terrorism financing.
6. Promptly providing the AMLO with requested information and documents.
7. Submitting all records to courts and specialized authorities upon request.
8. Refraining from dealing with shell banks or entering into business or correspondent banking relationships with them or with institutions that allow the use of shell bank accounts.

- Relationship of the Board with the AML/CFT Department:

1. Ensuring, through the Audit Committee and regulatory departments, that the Bank has taken due diligence measures toward its customers in accordance with Law No. (39) of 2015 and its instructions.
2. Ensuring that the Bank maintains all required documents and records for at least **five years** from the end of the customer relationship, the closing of an account, or the execution of transactions for occasional customers. Records must be accessible to relevant authorities promptly and include:
 - Copies of all documents obtained through the due diligence process, including identities of customers, beneficial owners, accounting records, and business correspondence.
 - All records of domestic and international transactions, whether executed or attempted, detailed enough to allow for the tracking of each individual transaction.
 - Records related to risk assessments or any other updated implementation information.
3. Approving AML/CFT programs, which must include:
 - Assessment of the Bank's exposure to AML/CFT risks.
 - Approval of policies, procedures, and internal controls necessary to meet AML/CFT obligations.
 - Independent auditing to test the effectiveness and implementation of AML/CFT policies.
4. Adopting the Risk Appetite Statement (**RAS**) approved and ratified by the Board of Directors as a reference framework defining the level of risk the Bank is willing to accept to achieve its strategic objectives.
5. Exceptions may be granted on a case-by-case basis upon the approval of the Authorized Manager or their deputy, based on the recommendation of the **MLRO**. These exceptions must not conflict with Central Bank of Iraq instructions, applicable laws, or sanctions programs. All exceptions must be presented to the Audit Committee and tracked by the AML Department.

Eighth: The Three Lines of Defense in the Bank

First Line of Defense: Located within the business units, it includes relationship managers and staff dealing directly with customers. The main responsibilities of the first line of defense include:

- Owning and managing risks related to customers.
- Collecting Know Your Customer (**KYC**) information and performing Customer Due Diligence (**CDD**) procedures according to a risk-based approach.
- Developing **KYC/CDD** procedures to implement Anti-Money Laundering and Counter-Terrorism Financing (**AML/CFT**) and sanctions controls.
- Escalating **Red Flags** and risks related to money laundering and sanctions to the second line of defense when necessary.

Second Line of Defense: Includes specialized Risk and Compliance teams responsible for setting **AML/CFT** and sanctions requirements and overseeing the implementation of the compliance program. Its responsibilities include (but are not limited to):

- Designing compliance policies and standards for **AML** and sanctions.
- Conducting periodic assessments of **AML/CFT** and sanctions risks.

- Investigating and reporting suspicious activities.
- Investigating transactions related to sanctions and taking necessary actions (freezing or rejection).
- Implementing and tuning key AML/CFT and sanctions systems, including transaction monitoring and sanctions screening systems.
- Providing guidance and direction to the first line of defense in managing AML/CFT and sanctions risks.

Third Line of Defense: Provides independent oversight of the first and second lines of defense and tests the key controls of the financial crimes compliance program to ensure its effectiveness. This line is represented by the Bank's Internal Audit function. Its responsibilities include (but are not limited to):

- Evaluating the effectiveness of the AML/CFT and sanctions compliance framework within the Bank.
- Conducting independent testing of AML and sanctions processes and controls.
- Reporting findings and results to Senior Management and the Board of Directors.

Chapter Eight: Shareholders

First: Shareholder Rights

Shareholder rights include the following:

1. Registration and trading of shares.
2. Fair treatment of all shareholders, including minority shareholders, particularly regarding transparency in related-party transactions and the management of conflicts of interest.
3. Obtaining adequate and timely information on all material matters relevant to investment decisions to enable them to exercise their rights fully on a regular basis.
4. Receiving information regarding the time, date, and location of the Annual General Assembly meeting, its agenda, and all instructions related to attendance and voting. This information must be published on the website at least thirty days prior to the meeting date.
5. Participation and voting in the Ordinary General Assembly meeting, either in person or by proxy, where each share carries one vote.
6. Voting on all matters that would fundamentally change, whether individually or collectively, the control or nature of the Bank.
7. Discussing items listed on the General Assembly agenda and directing inquiries and questions to members of the Board of Directors.
8. Nominating and electing Board members or terminating their membership, inquiring about their qualifications, experience, and ability to perform their duties, and discussing the remuneration and financial incentives granted to Board members and senior executive management. Shareholders also have the right to inquire about any unprofessional practices.
9. Asking questions to the external auditor regarding the audit report, financial statements, and related aspects.
10. Receiving dividends in accordance with the published dividend distribution policy.
11. Minority shareholders may elect one or more members to represent them on the Board of Directors through cumulative voting processes.

Second: Relationship of the Board of Directors with Shareholders

1. The Board of Directors ensures fair and timely communication with all shareholders, informing them of all material information related to the Bank's activities through various means, including:
 - **General Assembly Meetings:** All Board members, especially the chairpersons of Board committees, and the external auditor must attend.
 - **Annual Reports:** Including the Governance Report and Sustainability Report (if not already included in the Annual Report).
 - **Quarterly Reports and Investor Presentations:** Containing financial information and performance data, in addition to the Board's report on share trading and the financial position during the year.
 - **The Bank's Official Website.**
 - **Shareholder Relations Department.**
2. Separate votes are conducted for each individual resolution at the Annual General Assembly; resolutions may not be bundled together.
3. Following the conclusion of the Annual General Assembly, a report is prepared and published on the Bank's website to inform shareholders of observations made during the meeting, voting results, questions raised by shareholders, and the Board's responses.
4. The Board ensures communication with shareholders through at least the following:
5. Regular meetings with major shareholders to understand their issues and perspectives regarding the Bank and its activities.
6. Ensuring that Board members are informed of shareholder views, especially regarding the Bank's strategies, operations, and governance.
7. Clarifying in the Annual Report the steps taken by Board members or senior executive management to gain a common understanding of major shareholders' views on the Bank's performance.
8. Attendance of the General Assembly meeting by all Board members; chairpersons of all Board committees must respond to questions related to their specific committee during the meeting.

Chapter Nine: Disclosure and Transparency

Bank of Baghdad is committed to adopting a comprehensive and balanced approach to disclosure, ensuring that stakeholders are provided with accurate and timely financial and non-financial information. Sustainability and climate disclosure reports are included within the annual reports and published on the Bank's website to support principles of transparency and trust. Accordingly:

1. The Board of Directors provides information in accordance with effective laws and regulations, offering comprehensive, relevant, and reliable financial and non-financial information that reflects the Bank's true position and is material to shareholder interests.
2. The Board ensures compliance with all required disclosures, including those related to International Financial Reporting Standards (IFRS) requirements, Central Bank of Iraq instructions, and other mandates. It ensures that Executive Management has implemented all changes to IFRS and other applicable standards or controls.
3. The Bank issues an annual report containing statements from the Board regarding its responsibility for the accuracy and reliability of the Bank's financial statements and other information therein. The

Board provides a declaration on the effectiveness of banking risk management and internal control systems, including the risk management of Environmental and Social (E&S) standards.

4. The Board ensures that the annual, quarterly, and semi-annual reports include disclosure to shareholders regarding the Bank's financial position, including profitability, sustainability, and liquidity.
5. The Board ensures the issuance of a sustainability report, either as part of the annual report or as a separate detailed report on sustainability issues, including environmental and social matters. This report must include a discussion of the Bank's key stakeholders, the Bank's interaction with each group, and the actions taken in response to their interests and needs.

The Board of Directors ensures that the Annual Report includes the following:

- a. The Bank's organizational structure, outlining the Board of Directors, Board committees, Executive Management, and the administrative structure.
- b. The Bank's business model and how it increases value for shareholders and stakeholders.
- c. A report from the Board on Environmental, Social, and Governance (ESG) practices at the Bank, and on the Board's composition, skills, responsibilities, and activities during the year.
- d. A report from each Board committee regarding its composition, skills, responsibilities, and activities during the year.
- e. Detailed information on each Board member, including their names, qualifications, experience, shares in the Bank, committee memberships, appointment dates, attendance records, memberships on other boards, and all forms of remuneration, as well as loans, credit facilities, and other transactions for the Board member or their related parties during the fiscal year.
- f. The Bank's financial statements and the external auditor's report.
- g. Information on the Bank's strategies and performance, including risks, the timeframe for achieving goals, and progress made toward those objectives.
- h. Information on the Bank's risk profile and management framework, including its structure, processes, responsible personnel, key risks, and mitigation measures. This must include a review of Environmental and Social (E&S) risk management, addressing climate change issues.
- i. Updates made to key governance documents during the year, including the Code of Conduct and Conflict of Interest policies, as well as information on the performance, qualifications, roles, and activities of Executive Management.
- j. A summary of the Bank's remuneration policy and the total remuneration granted to each member of Executive Management during the past year.
- k. Information on all related-party transactions, their nature, approval processes, and specific information on key transactions approved by the Board.
- l. The names of shareholders holding **2%** or more of the Bank's shares, and related groups holding **5%** or more of the capital. The ultimate beneficial owners must be identified, and all shareholders holding **2%** or more must declare if their shares are fully or partially pledged.

Chapter Ten: Governance of Stakeholder Relations and Climate-Related Aspects

First: Governance of Stakeholder Relations

Stakeholders can positively or negatively impact the Bank’s reputation, trust, loyalty, legal and regulatory risks, profitability, and market share. Therefore, the Board of Directors oversees and facilitates organized and continuous relationships with stakeholders to build trust, respect, and mutual understanding through:

1. **Establishing an ESG and Sustainability Committee** to lead and oversee stakeholder relations. This committee may delegate specific supervisory activities to a Board sub-committee or an Executive Management committee.
2. **Understanding who the Bank’s stakeholders are** and identifying their specific needs and expectations.
3. **Overseeing the stakeholder relations framework.**
4. **Considering stakeholders in relevant decision-making processes**, incorporating stakeholder relations into the Bank’s strategy, business model, Board responsibilities, and agendas—particularly relationships with contractors and suppliers.
5. **Receiving regular reports from Executive Management** regarding stakeholder issues and expectations, and discussing ongoing stakeholder matters to resolve them.
6. **Developing and publishing a dedicated Stakeholder Policy** on the Bank’s website as part of its commitment to them. This policy shall include the following information:
 - a. Governance responsibilities for stakeholder engagement, including policy approval, monitoring engagement, understanding needs/concerns, integrating these into Board decisions, and reporting on the engagement process.
 - b. Identifying and prioritizing stakeholders.
 - c. Stakeholder analysis to identify different needs, interests, and the root causes of stakeholder grievances.
 - d. The methodology for determining the materiality of issues and topics for priority stakeholder groups.
 - e. Developing and managing a stakeholder engagement plan (mostly implemented by Executive Management), which includes identifying interests, various engagement methods, communication management, and measuring the success of the engagement process. Focus areas may evolve over time (e.g., environmental, social, human rights, and beneficiary issues).
 - f. The Board’s responses to stakeholder issues and the management of their expectations.
 - g. Procedures to monitor the effectiveness of stakeholder engagement, including grievance mechanisms and whistleblowing channels for both internal and external stakeholders.
 - h. Results of the engagement process and future focus areas.

Second: Reporting on Stakeholder Relations Governance

The Board of Directors prepares reports on the policies and procedures regarding stakeholder engagement, including the mechanisms used to respond to material stakeholder interests or grievances. Stakeholder engagement processes and their outcomes must be clearly reported in the Annual Report or in a separate Sustainability Report.

Third: Governance of Climate-Related Issues

Climate change governance and reporting have become essential topics for which investors seek clarity regarding how institutions manage the risks and opportunities associated with climate change. Therefore:

- a. The Board of Directors establishes a governance framework to ensure oversight of climate-related aspects and the sound management of climate risks and opportunities, ensuring the Bank's sustainability and resilience. This framework includes:
- b. Developing and adopting a Climate Policy that clearly defines the commitment of the Bank and its Board to addressing climate-related aspects, to be published on the Bank's website.
- c. Requiring the ESG and Sustainability Committee—composed of independent non-executive Board members—to oversee climate-related aspects or to form a specialized sub-committee for this purpose.
- d. Assigning specific climate-related responsibilities to the Risk Committee and the Audit Committee, consistent with each committee's specific functions, while ensuring communication with the ESG and Sustainability Committee (or its sub-committee) on relevant matters.
- e. Ensuring that Board members possess sufficient skills regarding climate change aspects, including regular training and development.
- f. Developing and integrating climate-related aspects into the Bank's policies, practices, governance system, regular Board meetings, strategy, business model, and operations.
- g. The ESG and Sustainability Committee adopts the Climate-Related Policy, which must include, at a minimum:
- h. The commitment of the Bank and its Board to key climate goals and their associated metrics.
- i. A roadmap for the Bank's climate activities to achieve Net Zero emissions by 2050, defining key milestones.
- j. Integrating climate risks and opportunities into the Bank's strategy, business model, financial plans, operations, and Board decision-making. This must include climate adaptation and mitigation measures across the short, medium, and long term.
- k. Integrating climate aspects into the Bank's documents and frameworks where appropriate, such as the Code of Conduct, Credit Policy, and Risk Management Policies.
- l. Incorporating climate aspects into management structures and responsibilities by appointing a dedicated task force responsible for climate-related issues.
- m. Establishing the management processes required to assess and respond to climate-related risks and opportunities, including scenario analysis.

Executive Management shall submit regular reports to the Board of Directors regarding climate-related aspects.

Fourth: Reporting on Climate-Related Governance Issues

The Bank submits an annual report on its climate-related policies, operations, and progress against targets and metrics within the Annual Report or a separate Sustainability Report. This reporting adheres to one or more internationally recognized climate reporting standards, such as those issued by the International Sustainability Standards Board (ISSB) under the IFRS Foundation, the IFC

Environmental and Social Performance Standards, or other voluntary international standards. The specific standards used must be identified within the report.

The report may be reviewed by an independent external auditor. For the first three years of reporting, this review may be limited to specific aspects; thereafter, a comprehensive and acceptable audit process is required. The climate-related report must include the following information:

- a. Data for the most recent three years related to the goal of achieving Net Zero emissions by 2050.
- b. The framework of international standards adopted in the report.
- c. The Bank's climate-related policy and focus areas, including regulatory requirements.
- d. A discussion of the Bank's processes for identifying, assessing, prioritizing, and managing climate-related risks and opportunities, including a discussion of the materiality of these risks.
- e. Clarification of the Bank's climate governance, strategy, opportunities, and risks, as well as achievements related to the roadmap milestones toward Net Zero, including climate-related information regarding the Bank's subsidiaries.
- f. The Board of Directors holds ultimate responsibility for climate disclosure through the Governance Committee or Sustainability Committee and regularly monitors environmental risk reports.

Climate disclosure is integrated into the annual sustainability report or the annual financial report and is updated at least once a year.

Review and Amendment of the Manual

This manual is subject to an annual review by the **Governance Department / Compliance Monitoring Directorate** to verify the following:

- Coverage of all governance procedures regarding new activities.
- Ensuring compliance with the requirements of regulatory authorities.
- In the event of any proposed amendments to this manual, it shall be presented to the **Board of Directors** for approval and adoption.
- Staying informed of the latest developments regarding corporate governance practices and standards, both locally and internationally.

This manual should be read in conjunction with the following relevant policies:

- Corporate Governance Policies.
- Sanctions Policy.
- Customer Acceptance Policy.
- Anti-Fraud, Corruption, and Bribery Policy.
- Code of Professional Conduct.
- Risk Appetite Statement (RAS).
- Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) Policy.
- Risk-Based Approach (RBA).
- Authority Matrix (Delegation of Authority).