



مصرف الائتھان العراقي
Credit Bank of Iraq

Credit Bank of Iraq
Board of Directors Charter

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1. Introduction:

The Board of Directors is responsible for managing the "Credit Bank of Iraq" and working to raise its value in a profitable and stable manner and taking important decisions. This regulation forms an integral part of the bank's corporate governance framework, which was prepared to meet the Iraqi regulatory requirements governing the affairs of the boards of directors of joint-stock companies.

This regulation defines the responsibilities of the Board of Directors, with its members collectively and individually, in addition to the tasks assigned to the committees emanating from the Board and the Executive Management. These regulations are considered as a binding document for the members of the Board and govern their performance throughout their membership in the Bank's Board of Directors.

This regulation has been prepared in line with the Central Bank of Iraq Law No. (56) Of 2004, the Banking Law No. (94) Of 2004, and the Companies Law No. (21) Of 1997; and the Corporate Governance Guide for Banks issued by the Central Bank of Iraq in 2018. In the event of any conflict between the applicable laws and these regulations, the legal texts are the ones that prevail and operate according to them.

2. Membership and Duration:

- 1- The members of the Board of Directors shall be elected at the meeting of the General Assembly for a period not exceeding four years after obtaining the approval of the Central Bank of Iraq. A member may be re-elected for a maximum of four subsequent years.
- 2- The number of board members must not be less than (7) seven original members (of whom a maximum of 4 are non-Iraqi) and (7) seven substitute members (of whom a maximum of 5 are non-Iraqi), who are elected at the meeting of the General Assembly according to the voting cumulative system.
- 3- The number of independent members on the Board of Directors must not be less than (5) four members or one-third of the Board members, with a member representing the minority shareholders, as this member may be among the independent members.
- 4- The Board elects a Chairman and Vice-Chairman from among its members. The Vice-Chairman assumes the duties of the Chairman in the event of his absence or inability to chair the Board meeting.
- 5- It is preferable that one of the Board members be a female, as a minimum.

A- The qualifications and independence of the board member

The General Assembly chooses the members of the Board in the light of their qualifications and experience, and determines the basis for their rewards as members in the light of their participation in the meetings of the Board and its committees and other fields, according to the following conditions:

- 1- Fulfilling the legal requirements contained in Banking Law No. (94) Of 2004 and Companies Law No. (21) Of 1997 and its amendments.
- 2- Fulfilling the legal requirements contained in the Central Bank of Iraq's instructions No. 9/2/281 dated 08/25/2021.
- 3- He must not be a partner or employee of the bank's external auditor during the three years preceding the date of his election as a member of the Board, and he must not be related to the partner responsible for the audit process.
- 4- He must not be a lawyer, legal advisor to the bank, or auditor of the bank's accounts.
- 5- He, or any company of which he is a member of the board, owner, or major shareholder, must not have obtained a credit from the bank in excess of (5%) of the bank's capital, and must not be a guarantor of credit from the bank whose value exceeds the same percentage. Shares of any company of any kind.
- 6- Two-thirds of the Board members must have basic university qualifications and degrees, and experience in banking.
- 7- He shall not be a member of the board of directors of any other bank inside Iraq, or an authorized director thereof, or a regional manager, or an employee thereof, unless the latter bank is affiliated with that bank.
- 8- He must not be a member of the boards of more than five joint-stock or public companies, in his personal capacity in some of them, and in his capacity as a representative of a legal person in others.
- 9- He must not be an administrator or employee of another bank or an authorized manager of another bank.
- 10- The member of the Board of Directors may be a non-resident or non-Iraqi.
- 11- He must not have been an employee of the bank or one of its related parties during the previous three years.
- 12- He must not have any relationship with any of the members of the Board, the senior management, or any of the parties associated with them, up to the fourth degree.
- 13- He must not be a major shareholder in the bank or his representative.
- 14- He does not own, directly or indirectly (including the ownership of shareholder family members or related parties), more than 5% of the shares of any company of any type.

B- Selection and appointment of the authorized director

- The bank's board of directors appoints one of its members as authorized director of the bank.
- The authorized director who is appointed must fulfill the following conditions, as a minimum:
 - Fulfilling the legal requirements contained in Banking Law No. (94) Of 2004 and Companies.
 - Fulfilling the legal requirements contained in the Central Bank of Iraq's instructions No. 9/2/281 dated 08/25/2021.
 - Dedicated full time to managing daily banking operations.

- To have at least a bachelor's degree in banking and financial sciences, business administration, accounting, economics, law, or majors related to banking.
- Have integrity and a good reputation.
- To have actual work experience in the executive management of banks in accordance with the regulations and instructions issued by the Central Bank of Iraq.
- The authorized director is responsible for implementing the decisions of the board, within the powers granted in him.
- It is not permissible to combine the positions of the Chairman of the Board and the Authorized Director or the General Manager.

C- Meetings

a- **The quorum:**

1. Only members of the Board, the Secretary and the Compliance Controller are entitled to attend the meetings of the Board. However, any of the bank's management members or their representatives or specialists may be invited to attend the meetings, based on the Board's request.
2. Board members must attend its meeting in person, and in the event that it is not possible to attend in person, a Board member can attend via video or telephone, after the approval of the Board chairman, and this method can be used in the event that the member does not attend a maximum of two times during the year.
3. In the event that the number of absences reached (3 times or more during the year), the chairman of the board must notify the general assembly of the bank in order to take what it deems appropriate.
4. The quorum for the meetings of the Board shall be completed by the presence of half of the members of the Board, and in the event that the quorum is not complete, a new meeting shall be held.
5. The meeting of the Board - in which the quorum is complete - is considered sufficient to exercise all or any powers granted to the Board and to take any decisions based on those powers.
6. The decisions of the Board shall be adopted by the majority of the votes of the members present, with the confirmation of the reservations of those who disagree. If the vote is tied, the vote of the Chairman of the Board shall be casting weight.
7. Alternate members of the Board of Directors attend the meetings of the Board of Directors from time to time during the year.

b- **The periodicity of the meetings**

- 1- The meetings of the Board shall not be less than (6) meetings per year, provided that (4) of them are at the end of each semester and (2) are to be determined later

in addition to the extraordinary meetings that are held when necessary, and the Chairman of the Board may invite the Board to convene whenever Needed.

- 2- The Secretary of the Board shall organize the dates and meetings of the Board, with the approval of the Chairman of the Board.
- 3- Board meetings are held at the headquarters of the bank's management, and they may be moved to any other place inside Iraq if it is not possible to hold them at the headquarters of the administration, provided that all members of the board attend or a written apology is issued to those who are not present.

3. Duties and responsibilities of the Board

- 1- Approving the bank's plans, including the vision, mission, goals, strategic objectives and core values of the bank in light of the directives of the general assembly, then directing the executive management to implement the plans while monitoring their performance, evaluating them and amending them if necessary to ensure the implementation of those plans.
- 2- Supervise the executive management, follow up on its performance, and ensure the soundness of the bank's financial position and solvency, and it must adopt appropriate policies and procedures for periodic supervision and control of the bank's performance.
- 3- Adopting a policy to monitor and review the performance of the executive management, by setting "Key Performance Indicators. KPI" (Key Performance Result. KPR), to define, measure and monitor performance and progress towards achieving the bank's institutional goals.
- 4- Ensure that policies, plans and work procedures are available at the bank, which are comprehensive for all its activities, and are in line with relevant legislation, and that they have been circulated at all administrative levels, and that they are reviewed regularly.
- 5- Determining the "core values" of the bank, drawing clear lines of responsibility and accountability for all the bank's activities, and establishing a high culture of ethical standards, integrity and professional behavior for the bank's administrators.
- 6- Bearing responsibility for the integrity of all the bank's procedures, including its financial conditions and reputation, and responsibility for implementing the requirements of the Central Bank, as well as the requirements of the supervisory authorities and other regulatory authorities related to its work, and taking into account "stakeholders", and that the bank is managed within the framework of legislation, and within the internal policies of the bank, and that oversight Effective and constantly available on the bank's activities.
- 7- Follow up on the implementation of the decisions of the General Assembly.
- 8- Submitting the bank's final accounts and financial statements (statements) and a comprehensive report on the results of implementing the annual plan to the General Assembly for discussion and approval.
- 9- Ensure compliance with international standards in all activities and operations of the bank.

- 10- Discussing and approving the annual plans and budgets related to the activities of the bank and following up on their implementation.
- 11- Forming Board of Directors committees and selecting their members from among the Board members according to the size of the bank, provided that the following committees are present at a minimum (Governance Committee, Audit Committee, Risk Committee, Nomination and Rewards Committee). The Board determines its objectives and delegates powers to it, with a commitment not to make decisions on its own without a vote of the Board of Directors. The Board must continuously monitor the work of the committees to ensure the effectiveness of their role.
- 12- Approving the selection of candidates to fill executive management positions, evaluating and following up on their performance periodically, supervising and holding them accountable, and obtaining from them a clear explanation of the subject of accountability.
- 13- Appointing and terminating the services of the internal auditor, determining his fees and rewards, and evaluating his performance.
- 14- Adopting the bank's internal control and oversight systems and reviewing them annually, and ensuring that the internal auditor, in coordination with the external auditor (i.e. the auditor), reviews these systems at least once a year, and the board must include in the bank's annual report what confirms the adequacy of these systems.
- 15- Ensuring the independence of the external auditor (auditor), beginning and continuing.
- 16- Adopt an effective risk management strategy and monitor its implementation, as it includes the level of acceptable risks, and ensure that the bank is not exposed to high risks, and that the board should be aware of the bank's operational work environment and the risks associated with it, and that it should ensure that there are necessary and sufficient tools and infrastructure for risk management in the bank, and that it is capable of identifying, measuring, monitoring and controlling all types of risks to which the bank is exposed.
- 17- Ensure that the bank applies the basic principles of "good governance" as stated in the "Rules of Good Governance and the Internal Control System" contained in Instructions No. (4) Of 2010.
- 18- Ensuring the existence of adequate and reliable Management Information Systems (MIS) covering all the bank's activities.
- 19- Spreading the culture of governance in the bank and encouraging all employees and the executive management to apply its practices and attend training courses in this regard, in addition to working for the bank to encourage its customers to apply the rules of governance in their institutions, in addition to verifying that the bank's credit policy includes the application of corporate governance to its customers, especially the Companies, so that risks are evaluated by strength and weakness points, according to their practices in the field of corporate governance.
- 20- Ensure that the bank complies with the sustainability principles mentioned in Appendix No. (1) Of the Corporate Governance Guide.
- 21- Take measures to create a clear separation between the powers of shareholders, who possess "qualified possession" on the one hand, and the "executive management" on the other hand, with the aim of promoting sound corporate governance, and it must find

- appropriate mechanisms to limit the effects of shareholders, who possess “qualified possession”
- 22- Adopting an organizational structure for the bank that defines a clear administrative hierarchy.
 - 23- Determine the executive powers related to the bank’s business (whether the authorized manager or the executive management, whether it is for banking operations, granting credit, signing transfers, cheques, guarantees, borrowing, mortgages, and letters of guarantee).
 - 24- Approve a replacement plan for the executive management of the bank and review it annually.
 - 25- Ensure that the executive management peruses the official website of the Anti-Money Laundering Office regarding the lists of freezing terrorist funds on a daily basis, and informs the Anti-Money Laundering Office and the Banking Control Department of the Central Bank immediately in the event that there is a person whose name has been included in the list of freezing terrorist funds.
 - 26- The performance of the Board as a whole must be evaluated at least once a year and the evaluation results presented to the General Assembly, by relying on a system for evaluating the Board’s work, provided that this system includes, as a minimum, the following:
 - Setting specific targets and defining the role of the Board in supervising the achievement of these targets in a way that can be measured periodically.
 - Defining key performance indicators for the managing director and the executive management (Key Performance Indicators, KPIs & KPRs) that can be extracted from the bank's strategic objectives and annual work plans and used to measure the performance of the executive management periodically.
 - Communication between the board and shareholders, and the need for periodic communication.
 - Periodic board meetings with the executive management.
 - The role and duties of the member in the Board meetings and the extent of his commitment to attend, as well as comparing his performance with the performance of other members, and
 - A “feedback” must be obtained from the concerned member, with the aim of improving the evaluation process.
 - 27- Providing the Central Bank with information related to the members of the boards or boards of directors and executive departments of its subsidiaries inside and outside Iraq, on a semi-annual basis, as well as when there is any amendment to it.
 - 28- Overseeing the quality of disclosure, transparency and all information about the bank.
 - 29- Defining and approving the tasks of the Secretary of the Board in writing.
 - 30- Adopt a working guide for the policies and procedures of the Internal Audit Department, provided that it is subject to review and update by the Audit Committee every year or two at least.

- 31- Forming temporary committees by a decision from the Board or at the request of the Central Bank of Iraq. The decision specifies the composition of the committee, the scope of its work and its responsibilities, and the period required to complete its work.
- 32- The approval of the Board of Directors when appointing any of the members of the executive management in the bank, as well as obtaining the approval of the Central Bank of Iraq in this regard.
- 33- Ensure that the Internal Audit Department is subject to direct supervision by the Audit Committee, and that it reports directly to the Chairman of the Audit Committee to ensure its independence.
- 34- Approving the governance guide prepared by the Corporate Governance Committee and ensuring that it is published on the bank's website and viewed by all employees and members of the Board of Directors.
- 35- View and approve when any committee obtains advice and technical support from external sources.

4. Duties and Responsibilities of the Chairman of the Board:

- 1- Establishing a constructive relationship between the board, on the one hand, and the executive management of the bank, and between the bank, shareholders and other stakeholders, on the other hand.
- 2- Encouraging the expression of opinion on issues that are discussed in general, and those around which there is a divergence of viewpoints among members, and encourages discussions and voting on these issues.
- 3- Ensure that the members sign the minutes of the meetings.
- 4- Ensure that the Central Bank is notified of any material information and important matters (positive and negative) and provide the Central Bank with them.
- 5- Determine and meet the needs of the Board members, with regard to developing their expertise and continuous learning, and allow the new member to attend the Orientation Program to learn about the Bank's activities.
- 6- Sending an invitation to the Central Bank to attend the meetings of the General Assembly, prior to a sufficient period of not less than (15) fifteen days, in order for it to reach the nomination of a representative.

5. Conflict of interests

- 1- The Board of Directors shall ensure that due diligence is exercised to arrange the affairs related to the bank's business and the affairs related to personal business in a way that leads to avoiding conflict of personal interests with the interests of the bank.
- 2- The Board shall adopt policies and procedures to address the conflict of interest that may arise when the bank is part of a banking group, and disclose in writing any conflict of interest that may arise from the bank's association with the companies within the group.
- 3- The Board shall adopt policies and procedures for dealing with the relevant persons, which include the definition of these parties, taking into account the legislation, policies,

procedures, and the mechanism of monitoring them, so that it is not allowed to bypass them.

- 4- The control departments in the bank must ensure that the transactions of the related persons have been carried out in accordance with the approved policies and procedures, and the audit committee must review and monitor all the transactions of the related persons, and inform the Board of these transactions.
- 5- The Board shall adopt policies and a charter of professional conduct rules and circulate them to all employees so that they include, as a minimum, the following:
 - Not to use any of the employees internal information in the bank for their personal interest.
 - Rules and procedures governing dealing with relevant persons.
 - Handling cases that may arise from conflicts of interest.
- 6- The Board shall ensure that the executive management enjoys high integrity in carrying out its work, implements approved policies and procedures, and avoids conflicts of interest.
- 7- Board members must obtain important information in a timely, clear and accurate manner in order to be able to fulfill their duties and perform their tasks to the fullest.
- 8- The bank shall provide the Central Bank with the number of shares mortgaged by the bank's shareholders who own (1%) or more of the bank's capital, and the party to whom these shares are mortgaged.

6. The relationship of the board of directors with the external auditor:

Ensuring regular rotation of the external auditor between the audit offices and their subsidiaries, affiliates or affiliated companies in any way, every five years as a maximum, from the date of election, and the Board's contribution to strengthening the role of the external auditor to ensure that the financial statements reflect the bank's performance in all important respects, show its real financial position, and ensure effective communication between the external auditor and the audit committee. The Board of Directors shall take appropriate measures to address weaknesses in the internal control and control systems, or any other points revealed by the external auditor.

7. The relationship of the Board of Directors with risk management:

- 1- Ensuring that the risk department monitors the bank's executive departments with the specified levels of acceptable risks.
- 2- Verifying that abuses are dealt with at acceptable risk levels, including holding the relevant senior executive management accountable for such abuses.
- 3- Ensure that the risk management conducts stress tests periodically to measure the bank's ability to withstand shocks and face high risks, and that the Board has a major role in approving the hypotheses and scenarios (scenes) used, discussing the results of the tests and adopting the actions to be taken based on these results.
- 4- Adopting the internal assessment methodology for the bank's capital adequacy, in accordance with the decisions of the "Basel Committee on Banking Supervision No. II"

and Basel (III) and any other international standards, so that this methodology is comprehensive, effective, and capable of identifying all risks that the bank may be exposed to, and takes into account the bank's strategic plan and capital plan, periodically reviewing this methodology, verifying its application, and making sure that the bank maintains sufficient capital to meet all the risks that it may be exposed to.

- 5- Before approving any expansion of the bank's activities, the Board must take into account the risks involved and the capabilities and qualifications of the risk management staff.
- 6- Ensuring the independence of risk management in the bank, by submitting its reports to the risk management committee, and granting this department the necessary powers to enable it to obtain information from other bank departments and cooperate with other committees to carry out its tasks.
- 7- The policies approved by the Board of Directors must include the acceptable limits for the risks that the bank may be exposed to, with the need for these limits to be consistent with the extent of the bank's ability to accept risks and the extent to which that is appropriate with the size of the capital.
- 8- Measuring the continuing suitability of work steps for measuring, following up and controlling risks, and making any adjustments to them if necessary, in accordance with market developments and the environment in which the bank operates.
- 9- The use of appropriate and effective information and communication systems, especially with regard to the process of follow-up and monitoring risks, and ensuring the efficiency of the information management system, so as to allow the provision of periodic reports (at least monthly) to the bank's senior management, the risk committee and the board that reflect the extent of the bank's commitment to the specified risk limits and clarify violations of these limits, their causes and the necessary corrective plan.
- 10- Ensure compliance with the instructions contained in the Supervisory Work Guide / Risk Management Controls in Commercial Banks issued by the Central Bank of Iraq according to Book No. 9/6/362 dated 24/10/2021.
- 11- Ensuring compliance with the controls of governance and institutional management of information and communication technology issued by the Central Bank of Iraq according to letter No. 14/611 dated 25/04/2019, which includes the formation of Information and Communications Technology Governance Committee by the Board of Directors. The Board determines its objectives and delegates powers to it in accordance with a charter that clarifies this.

8. The relationship of the Board of Directors with the Compliance Department

- 1- Adopting a clear policy to ensure the bank's compliance with all relevant legislation and instructions, and reviewing this policy periodically and verifying its implementation.
- 2- Approve the tasks and responsibilities of the Compliance Department.
- 3- The Compliance Department submits its reports to the Audit Committee, with a copy being sent to the Director General or the Managing Director.

- 4- The bank shall form an independent compliance department, which shall be reinforced with trained human resources, and shall be adequately in line with the instructions of the Central Bank issued in this regard.

9. The relationship of the Board of Directors with the Anti-Money Laundering and Terrorist Financing Department

- 1- The Board, through the Audit Committee and the control departments or divisions of the bank, must ensure that the bank takes due diligence measures towards customers in accordance with the Anti-Money Laundering and Terrorism Financing Law No. (39) Of 2015 and the instructions issued thereunder.
- 2- The Board shall ensure that the bank maintains the following records, documents and papers for a period of (5) five years from the date of termination of the relationship with the customer or from the date of closing the account or executing a transaction for an occasional customer, whichever is longer, and ensure that they are made available to the competent authorities as soon as possible, which includes as a minimum the following:
 - Copies of all records obtained through the transaction verification process, including documents proving the identities of beneficial owners' customers, accounting files, and business correspondence.
 - All records of local and international transactions, whether actually executed or attempted, provided that these records are detailed to the extent that allows re-representation of the steps of each transaction separately.
 - Records related to the risk assessment or any information determined from its conduct or update.
- 3- Adopting programs to prevent money laundering and terrorist financing, including:
 - Conducting an assessment of the money laundering and terrorist financing risks to which it is exposed.
 - Adopting internal policies, procedures and controls that are appropriate for implementing the obligations imposed in the field of combating money laundering and terrorist financing.
 - Independent audit to test the effectiveness of policies and procedures and their application.

10. Stakeholders

- A specific mechanism is provided to ensure communication with "stakeholders" through disclosure and provision of significant information about the bank's activities to "stakeholders" through the following:
 - 1- The meetings of the General Assembly.
 - 2- The annual report and the governance report.
 - 3- Quarterly reports containing financial information, in addition to the board's report on trading in the bank's shares and its financial position during the year.
 - 4- The bank's website.

- 5- A report on the Shareholders Relations Department.
- The need to vote separately on each issue raised in the annual meeting of the General Assembly.
 - After the end of the annual meeting of the General Assembly, reports are prepared to inform the shareholders about the observations made during it, the results and decisions, including the voting results, the questions that the shareholders asked, and the executive management's replies to them.
 - The Board shall ensure the effectiveness of the dialogue with the shareholders by providing the following factors as a minimum:
 - Ensuring that Board members are aware of the shareholders' viewpoints, especially with regard to the Bank's strategies and governance systems.
 - Holding periodic meetings with major shareholders, non-executive and independent members to learn about their opinions and points of view on the Bank's strategies.
 - Disclosure in the annual report of the steps taken by its members, particularly the non-executive members, within the framework of reaching an agreement and a common understanding of the opinions of major shareholders regarding the bank's performance. The chairmen of the "Audit" and "Nomination and Rewards" committees, and any other committees emanating from the Board, must attend the annual meetings of the General Assembly.
 - The external auditor or his representative must attend the annual meeting of the General Assembly, submit the report and answer inquiries.

11. Review and Amendment of the Regulations:

This regulation is subject to annual review by the Board of Directors, for the following purposes:

- Covering all governance procedures for the new activities.
- Ensure compliance with regulatory requirements.
- Staying abreast of the latest developments with regard to corporate governance practices and standards, whether at the local or international level.
- Any other necessary amendments.

In the event that there are any proposed amendments to the bylaws, they are presented to the Board of Directors for approval.