



Corporate Governance Manual

Introduction

Jordan Commercial Bank recognizes that, in order to maintain the integrity of the banking system as a whole and to comply with international standards for sound banking practices, it must adhere to the highest standards in the field of information and associated technology. The bank must manage resources, projects, and services in a way that allows it to conduct business and achieve its strategic objectives effectively and efficiently, in compliance with the laws and legislation issued by the regulatory authorities, as well as the application of policies, instructions and procedures issued by the Board of Directors and the Executive Management. This reflects positively on the quality of the bank's products and services and on its decision-making mechanisms.

Corporate governance is founded on a number of fundamental concepts, the most essential of which is the separation of Board of Directors and General Manager responsibilities (Chief Executive Officer). In addition, the Chairman of the Board of Directors must be a non-executive member, as well as the necessity for organizational and administrative structures in which tasks and powers are dispersed with complete definition and clarity. Effective control frameworks must also exist in a defined and transparent manner. It also requires treating all stakeholders with fairness, transparency, and disclosure that allows them to evaluate the bank's position and financial performance, and that the bank's Board of Directors and senior executive management possess the appropriate academic and practical qualifications, integrity, honesty, and good reputation.

Good corporate governance establishes the relationship between shareholders, the Board of Directors, the executive management, and parties related to the bank (banks, depositors, regulatory authorities), and holds the executive management accountable to the Board of Directors on the one hand, and the Board of Directors accountable to the shareholders and related parties on the other.

This manual and its corporate governance policies have been prepared by Jordan Commercial Bank as an affirmation of its own identity and to confirm the independence of the members of the Board of Directors, the non-conflict of interests, and their effective ability to choose executive management capable of managing the bank's affairs in accordance with the best local and international standards and practices in corporate governance.

The provisions of this manual and the corporate governance policy apply to the branches of the Commercial Bank in Jordan.

Part I: Definitions, Aspects, and Importance of Corporate Governance

First: Definitions:

Non-Executive Board Member:	A member who is not a full-time managing officer or employee at the Bank and does not receive a salary from it.
Authorized Person:	A person who is authorized to access internal information by virtue of his position or function at the Bank, including the Chairman and Members of the Board of Directors, Financial Director, Internal Auditor, External Auditor, representatives of legal entities, Board Secretary and relatives of the aforementioned parties.
Cumulative Voting:	A system of voting for electing members of the Bank's Board of Directors, which allows shareholders to vote proportionately to the number of shares they hold. Each shareholder is entitled to only one vote per share. This allows a shareholder to cast all of their votes for a single candidate or divide them among several candidates.
Governance Report:	A report outlining the Bank's corporate governance applications and practices, and it is incorporated into the Annual Report of the Bank and is signed by the Chairman of the Board.
Relatives:	Father, mother, brother, sister, spouse and offspring.

Second: Corporate Governance:

It is the set of relationships between the Bank's Board of Directors, the Executive Management, Shareholders and other parties that have an interest in the bank. It defines the mechanism through which it clarifies the institution's objectives and means to achieve those goals and monitor their achievement. Therefore, sound corporate governance provides both the Board of Directors and the Executive Management with appropriate incentives to reach the goals that are of interest to the Bank, and facilitate the creation of an effective monitoring process, and thus help the Bank use its resources efficiently.

In addition, it is the system that shows the manner in which authorities are exercised and decisions are made. It is how the Bank manages its operations securely, protects the interests of depositors, adheres to the due responsibility towards shareholders and other stakeholders, as well as regulate the Bank's compliance with the internal legislation and policies of the bank.

Third: Aspects of Corporate Governance:

1. Internal factors:

Corporate Governance is represented in the effective interaction between the shareholders, the Board of Directors, the Executive Management of the bank and other relevant parties. Proper Corporate Governance facilitates the Bank's ability to define and achieve the objectives set forth by the Board of Directors and the strategies developed by Executive Management to reach those objectives.

2. External factors:

External factors include the following: -

- Compliance with laws, legislations and instructions that protect the rights of shareholders and other related parties, such as depositors and other creditors of the Bank.
- Availability of the appropriate control environment provided by the regulatory authorities.
- Availability of capital market infrastructure that increases the ability of shareholders to hold the Bank's management accountable.
- Adherence to accounting standards related to the accurate and timely presentation of financial statements, as well as setting the proper methodology of disclosure.
- The presence of a third party monitoring the Bank's performance, such as the financial market, the Central Bank, international rating agencies, professional and commercial associations, and others.
- The availability of an appropriate legal, legislative and supervisory environment that clarifies the rights of Bank's stakeholders.

Corporate Governance requires the provision of both the internal and external environment, knowing that the availability of one does not necessarily mean the availability of the other. In both cases, the following elements are the guiding principles for achieving good institutional control:

- Fair Treatment:

Small shareholders and related parties are treated fairly, and their interests are taken into consideration.

- Transparency:

The Bank discloses to stakeholders, the financial and organizational information and the remuneration of the Executive Management in a manner that enables shareholders and depositors to evaluate the bank's performance in accordance with the instructions of the Central Bank of Jordan issued under the Banking Law. The Bank also stays up to date with changes that occur in international financial reporting practices and the scope of transparency required by institutions. The Bank is committed to providing quality information about all its activities to the supervisory authorities, shareholders, depositors, other banks and the general public in general through various types of reports and communication tools.

- Accountability:

The Executive Management is obligated to answer any inquiry when it is held accountable by the Board of Directors regarding the implementation of plans and the implementation of the policies established by it in order to ensure the preservation of the Bank's assets and the soundness of its financial position.

- Responsibility:

The Bank's organizational structure, approved by the Board of Directors, defines channels of communication and limits of responsibilities. The structure of power approved by the Board of Directors also indicates and clarifies the limits of responsibility.

The Board of Directors supervises the Executive Management while the Executive Management is responsible for the Bank's day-to-day business. The Board is committed to set clear limits of responsibility and accountability and requiring all administrative levels in the Bank to adhere to them. The BoD will ensure that the organizational structure clearly reflects the lines of responsibility and authority, so as to include several levels of control. In addition, the Board shall ensure that the Senior Executive Management undertakes its responsibilities pertaining to the management of the Bank's day-to-day operations, contributes to implementing corporate governance and delegates authorities to personnel, creates an effective administrative environment promoting accountability, and performs tasks in various business areas and activities in line with the policies and procedures approved by the Board. The Board shall adopt appropriate regulatory guidelines that enable it to hold the Senior Executive Management accountable.

Fourth: The Importance of Corporate Governance for a Bank:

1. The Jordanian banking sector, which includes the Jordan Commercial Bank, is one of the most important components of the Jordanian economy, and this sector is universally subject to regulation and auditing. It uses the government's financial security networks; therefore, it is fundamental to have a robust corporate governance system at the Bank.
2. The most important source of funds entering the bank comes from the money of others, especially depositors. In light of the intensity of competition in the Jordanian capital market, the existence of sound corporate governance in the bank will maximize the bank's share in the market.
3. In order to maintain the integrity and strength of the Bank's financial position, the members of the Board of Directors play an effective and important role in the corporate governance of the bank through their supervisory role, as well as, providing a good risk management system that allows alignment between returns and risks within the limits permitted by the Bank's position and strategy and through compliance with laws and instructions at all administrative levels.
4. Corporate Governance enhances the bank's performance by providing a mechanism to link the interests of shareholders and other relevant bodies in the Bank.

Part II: Standards Pertaining to the Board of Directors

First: Board of Directors and Board Meeting Structure:

- The number of members of the Board of Directors will not be less than (11) and not more than (13) members with practical and professional experience and specialized skills. It is not permissible for any of the members to be Executive Member, and there is no Executive Member (*) at the bank.
- The number of independent members is not less than four (4).
- Members are elected according to the cumulative vote by the General Assembly of the Bank through a secret ballot.
- The Jordan Commercial Bank shall ensure diversity in the expertise of the Board members, requiring them to be residing on a permanent basis in the Hashemite Kingdom of Jordan.
- The Board of Directors is responsible for creating committees that are in charge of following up and monitoring the workflow at the Bank as well as submitting subsequent reports. The Board determines the responsibilities, tasks and powers of these committees upon their formation and establishes a special charter for each committee.
- The positions of the Chairman of the Board and the General Manager (or CEO) are not combined. The Chairman of the Board or any of the Board members or major shareholders has no relationship with the General manager, up to the fourth degree. The General Manager (CEO) must assume the following duties:
 - Developing the bank's strategic direction.
 - Implementing the bank's strategies and policies.
 - Implementing the decisions of the Board of Directors.
 - Provide guidance to implement short- and long-term business plans.
 - Communicating the vision, mission and strategy of the bank to the employees.
 - Informing the Board of all important aspects of the bank's operations.
 - Managing the day-to-day operations of the bank.
- The Board of Directors holds its meetings upon a written invitation from the Chairman, or Vice President in the event of his absence, or upon a written request submitted to the Chairman of the Board of Directors by at least a quarter of its members and in the presence of the absolute majority of its members. Board Members must allocate sufficient time to carry out their duties and their responsibilities, including prior preparation for Board Meetings of no less than six (6) meetings during the year. The Bank is obligated to hold a Board Meeting within a period that does not exceed two months.

(*) Executive Member: A Board Member who participates, for remuneration, in managing the Bank's daily activities.

- Should a Board Member not be able to attend a meeting in person, he/she may attend by videoconference or phone and vote on resolutions and sign the minutes of meetings after obtaining the Board's approval in this regard. The Secretariat shall inform the respective committee's rapporteurs to approve attendance by video or telephone, ensuring the adoption of the following procedures:
 - Duly documenting the process and keeping the audio recording until the signatures are completed.
 - That the number of members present in person should not be less than two-thirds of the committee members.
 - That the member's personal attendance rate is not less than (50%) of the committee's meetings during the year
- The Chairman of the Board shall consult with the other members and the General Manager when preparing a specific agenda of topics to be presented to the Board. The agenda will be presented to the Board of Directors and sent with relevant documents to the members in advance prior to the meeting. The meetings of the Board of Directors and the committees emanating from it shall be recorded in official minutes that outline the actions taken and decisions made by the Board and respective Board Committees.

The minutes will be construed as legal evidence of the decisions made during the meetings by the Board of Directors and Committees to prevent the occurrence of any confusion. Accuracy is taken into account when writing these minutes, with precise recording of any votes that took place during the meetings and attaching any documents or referring to any documents that were referred to during the meetings and recording any reservations that were raised by any member. The Bank ensures to keep all these minutes appropriately. As for topics that are pertaining to Palestine, the Palestinian Monetary Authority must be provided with the results of the decisions of the minutes within one month from the date of the meeting.

Each Board Member selected serves 4 years in a term, with the option to renew (there is no maximum number of terms a member may serve), given that the re-appointment process is based on an assessment of the continuity of the board member's ability to perform the necessary tasks assigned and to maintain an adequate amount of objectivity in performing an assignment.

Second: Duties and Responsibilities of the Board of Directors:

In accordance with the Bank's statute, relevant laws and legislation, and the Central Bank's instructions, the Board of Directors must exercise its roles and responsibilities, which include the following:

1. The Board will define the strategic objectives of the Bank, direct the Executive Management to prepare a strategy to achieve these goals, and adopt policies, plans and procedures to oversee and monitor the performance of the Bank.
2. The Board will select the Executive Management team that is capable of managing the Bank's affairs efficiently and effectively.

3. The Board will supervise the higher Executive Management and follow up on its performance and ensure the safety of the Bank's financial conditions and its solvency. It shall adopt appropriate policies, plans and procedures to supervise and control the Bank's performance.
4. The Board will adopt a policy to monitor and review the performance of the Executive Management by setting key performance indicators (KPIs) to define, measure and monitor performance and progress towards achieving corporate goals.
5. The Board will ensure that the Bank's credit policy measures the quality of corporate governance for corporate customers, so that customer risks are evaluated for strengths and weaknesses based on their corporate governance practices. Identify credit terms and conditions and investment principles.
6. The Board will ensure that comprehensive policies, plans and work procedures are developed for all Bank activities and they meet the relevant laws and regulations. Ensure that they have been circulated to all administrative levels and are reviewed regularly. Moreover, it shall monitor policy implementation and verify the validity of adopted procedures in this regard.
7. The Board shall identify the corporate values of the Bank and draw clear lines of responsibility and accountability for all the Bank's activities. In addition, it shall promote a culture of high ethical standards, integrity and professional conduct for the Bank's executives, and adopt an organizational structure that outlines the hierarchical organization including Board committees and the Executive Management.
8. The Board shall ensure that no member of the Board or Executive Management or any of the Bank's employee obtains a personal gain at the expense of the Bank's best interests.
9. The Board shall verify, through the Board Audit Committee, the accuracy of the information provided to the regulatory authorities.
10. The Board shall assume responsibility for the integrity of all Bank operations, including its financial position, and for the fulfillment of the requirements of the Central Bank and other supervisory and regulatory bodies in relation to its business. It shall take care of the interests of stakeholders and ensure that the Bank is managed in accordance with its internal regulations and that the Bank's activities, including outsourced activities, are continuously monitored. Moreover, the Board shall ensure compliance with the legislative regulations issued by governmental and regulatory authorities and that all the Bank's personnel, at all administrative levels, comply with the same.
11. The Board shall approve the internal regulations and instructions of the Bank, and identify the authorities, duties and means of communication among all management levels, which guarantee administrative and financial control over the Bank's activities.
12. The Board shall approve and annually review the internal control systems of the Bank and ensure that the internal and external auditors review the structure of these systems at least once a year.
13. The Board shall ensure that a policy and code of ethics is available and is circulated among all Bank employees.
14. The Board shall ensure the independence of the external auditor at all times.
15. The Board shall specify and approve the roles and responsibilities of the Compliance Department.
16. The Board shall approve and oversee the implementation of a risk management strategy that articulates the acceptable risk appetite levels and ensures that the Bank is not exposed to high risks. It shall be familiar with the Bank's operational work environment and its associated risks, ensuring that there are risk management tools and infrastructure in place at the Bank to identify, measure, control and monitor all types of risks faced by the Bank.
17. The Board shall approve the Bank's Risk Appetite document.

18. The Board shall ensure that there are adequate and reliable management information systems (MIS) in place covering all the Bank's activities.
19. The Board shall develop CSR policy and programs at the Bank for the benefit of local community and environment, ensuring that the Bank adopts appropriate social responsibility initiatives in the areas of environment conservation, health and education. It shall also ensure that the Bank provides financing to SMEs at appropriate interest rates and maturity dates and in line with a clear approach safeguarding transparency and fairness.
20. The Board shall take adequate measures to ensure a clear separation of powers between influential shareholders and the Executive Management to strengthen good corporate governance while developing adequate mechanisms to limit any influences by shareholders, ensuring that they do not assume any position in the Senior Executive Management. In this regard, the Senior Executive Management shall derive its authority solely from the Board of Directors and shall operate within the framework of the delegation granted to it by the Board.
21. The Board shall determine the banking operations that require its approval. However, in doing so, it shall seek to limit the scope of such operations so as to maintain its supervisory role. The Board shall not grant executive powers, including the power to extend credit, to a single member of the Board, including the Chairman.
22. The Board shall specify the roles of its Secretary, which include the following:
 - Attending all Board Meetings and recording all deliberations, suggestions, objections, reservations and voting on draft resolutions of the Board.
 - Setting the dates of Board Meetings in coordination with the Chairman.
 - Ensuring that Board Members sign meeting minutes and resolutions.
 - Following up on the implementation of Board resolutions and the discussion of topics postponed at previous meetings.
 - Keeping records and documents of Board meetings.
 - Taking the necessary measures to ensure that all resolutions to be issued by the Board are in line with the laws and regulations.
 - Preparing for the General Assembly meetings and working in cooperation with Board Committees.
 - Providing the Central Bank with a copy of the declaration of suitability signed by each Board Member.
23. Members of the Board and its committees shall communicate with the Executive Management and the Board's Secretary to facilitate the performance of the tasks assigned to them, including the outsourcing of certain tasks, as needed, at the expense of the Bank and in coordination with the Chairman. No Board member may influence the decisions of the Executive Management in any way except through deliberations that take place in the meetings of the Board or Board Committees.
24. The Board shall approve and review, at least once a year, the succession plans of the Executive Management, which set out the necessary qualifications and requirements of these positions.
25. The Board shall approve the organizational structure of the Bank, ensuring that it clearly reflects the lines of responsibility and authority, including at least the following supervisory levels:
 - Board of Directors and Board Committees
 - Executive Management Committees
 - Separate departments for risk, compliance and audit that do not carry out day-to-day executive functions

- Units/employees not involved in the day-to-day operations of the Bank (such as credit review officers and the middle office)
- 26. The Board shall ensure that the Senior Executive Management undertakes its responsibilities in relation to the management of the Bank's day-to-day operations and that it contributes to the application of corporate governance within the Bank. It shall also ensure that the Senior Executive Management delegates powers to employees, creates an effective management environment that promotes accountability, and performs tasks in the various areas and activities in a manner consistent with the policies and procedures approved by the Board. Moreover, the Board shall adopt suitable regulatory controls that enable it to call the Executive Management to account.
- 27. The Board shall approve an internal audit charter, outlining the tasks, authorities and responsibilities of the Audit Department and circulate it within the Bank.
- 28. The Board shall appoint, dismiss and accept the resignations of the General Manager, Audit Manager, Risk Management Manager and Compliance Manager upon obtaining a No Objection Certificate from the Central Bank regarding their resignation or termination of service. The Central Bank may summon any Bank executive to inquire about the reasons for resignation or termination of service, based on the recommendations of the competent regulatory committee for the aforementioned designations (e.g. the Audit Committee for the Audit Manager, the Risk Committee for the Risk Manager, and the Compliance Committee for the Compliance Manager).
- 29. The Board shall approve the appointment of the Executive Management members, accept their resignations or terminate their service, as well as ensure that they possess the required expertise and skills and issue recommendations in this regard to the Nominations and Remuneration Committee.
- 30. The Board shall also undertake the roles and responsibilities pertaining to the management of information and related technologies, as set forth in the attached IT Governance Manual.
- 31. The Board shall ensure that the Compliance Department is independent and that it is always provided with an adequate number of trained staff.
- 32. The Board shall approve a policy ensuring the Bank's compliance with all relevant legislation, revise said policy regularly and ensure the implementation thereof.
- 33. The Board shall lay out the necessary procedures ensuring that all shareholders, including non-Jordanians, exercise their rights and that they are treated in a fair and equal manner without discrimination.
- 34. The Board shall regulate the Bank's financial, accounting and administrative affairs in accordance with the relevant internal regulations.
- 35. The Board shall appoint a liaison officer to follow up on the implementation of corporate governance with the Jordan Securities Commission.
- 36. The Board shall approve the Bank's disclosure and transparency policy and follow up on the implementation thereof in accordance with the requirements of the regulatory authorities and applicable legislation.
- 37. The Board shall approve the succession policy as well as the HR and training policies at the Bank.
- 38. The Board shall establish a mechanism that allows shareholders who own at least 5% of the Bank's subscribed shares to add items to the agenda of the Bank's ordinary General Assembly meeting, prior to sending it, in its final form, to the shareholders. It shall provide the Jordan Securities Commission with this mechanism.
- 39. The Board shall approve the risk management policy to handle the risks to which the Bank may be exposed.

40. The Board shall approve the governance report and incorporate it into the Bank's annual report.
41. The Board may solicit the assistance of an external advisor, at the Bank's expense, provided that the majority of Board Members agree to the same and that no conflict of interest may arise.
42. The Board shall inform the Central Bank of any significant information that may adversely affect the suitability of members of the Senior Executive Management.
43. Each Board Member shall, at minimum:
 - Have knowledge of the legislation and principles pertaining to the banking activities and the Bank's operational environment and keep pace with all developments therein as well as external developments related to its business, including requirements for appointment in Senior Executive Management positions.
 - Attend Board meetings and Board Committee meetings as required, as well as the General Assembly meetings.
 - Not disclose the Bank's confidential information or use such information for their own benefit or for the benefit of others.
 - Put the Bank's interest first in all dealings with any other company in which they have a personal interest; avoid exploiting the Bank's commercial business opportunities for their own benefit; avoid conflict of interest and disclose to the Board, in detail, any potential conflict of interest that may arise; and not attend, or participate in the decisions made at, a meeting discussing subjects that may involve a suspected conflict of interest. Such disclosure shall be recorded in the minutes of the Board meeting; and
 - Devote sufficient time to perform their duties as a Board member.

Third: Role of the Chairman of the Board

The Chairman of the Board shall undertake the following responsibilities, as a minimum requirement:

1. Build a constructive relationship between the Board and the Executive Management.
2. During Board Meetings, create a culture that fosters constructive criticism, open discussions and voting on issues where there is a difference of views among members.
3. Ensure that Board Members and shareholders receive sufficient information in a timely manner.
4. Ensure that the Bank upholds high corporate governance standards.
5. Make sure that all Board Members receive and sign minutes of previous meetings as well as receive detailed meeting agendas and any additional information about the topics that will be discussed during the Board meetings prior to the meeting through the Board's secretary.
6. Ensure that there is a charter that describes and organizes the work of the Board.
7. Discuss key strategic issues in detail during Board meetings.
8. Ensure that each Board member is provided, upon election, with the relevant banking laws, the Central Bank instructions related to the Board's functions, and the corporate governance instructions for banks in addition to a booklet describing the rights, responsibilities and duties of Board members as well as the tasks and duties of the Board's Secretary.
9. Ensure that each Board member is provided with sufficient information about the Bank's business upon appointment or at request.
10. With the assistance of the Bank's Legal Counsel, inform new Board Members of the duties and responsibilities of the Board, particularly the legal and regulatory requirements to clarify the tasks, authorities and other matters relating to the Board membership. These include the

membership term, meeting schedules, responsibilities of the Board Committees, remuneration, and the possibility of obtaining independent and specialized technical advice when necessary.

11. Ensure that the Central Bank is informed of any significant information that may adversely affect the suitability of Board Members.
12. Make sure that Board Members receive ongoing training and development, and that new Board Members are provided with an Orientation Program that takes into account their banking knowledge. Enroll them in training sessions on the principles and applications of corporate governance; furnish them with the Bank's organizational structure, corporate governance policy, code of conduct, corporate objectives, the Bank's strategic plan and approved policies, including the Board Member suitability policy, as well as the Bank's financial status, risk structure, risk management framework, and the charters of Board committees.

Fourth: Shareholders and Their Role in Corporate Governance

Legal sovereignty and supreme authority are vested in the shareholders who convene through the General Assembly to review and deliberate on the Bank's matters. It should be noted that the interest of shareholders is not limited to just monitoring the prices of shares and receiving dividends, but it goes beyond that to monitoring the Bank's performance through financial statements and continuously communicate with the Bank's Management to stay abreast of the latest developments. Shareholders also attend General Assembly meetings, participate in voting on decisions, and discuss all aspects of the Bank's business and outcomes with Board members. Moreover, shareholders play a key supervisory role in monitoring the performance of Board Members and in obtaining the information that enables them to exercise their rights to the fullest.

Fifth: Stakeholder Rights

- The Board shall develop a specific mechanism to guarantee communication with stakeholders by disclosing and providing relevant information to stakeholders about the Bank's activities through:
 1. General Assembly meetings
 2. Annual Report
 3. Quarterly reports containing financial information in addition to the Board's report on the Bank's stock trading and financial position during the year
 4. The Bank's website
 5. Shareholder Relations Division
- The Bank shall ensure that a part of the Bank's website is designated to clarify shareholders' rights and encourage shareholders to attend and vote at the General Assembly meetings. Also, information on General Assembly meetings, including the full text of the invitation and meeting minutes shall be published on the website in a manner that does not conflict with the law or regulations of banking confidentiality.

Part III: Suitability, Qualifications and Evaluation of Board Members

First: Suitability

The Board and Nominations and Remuneration Committee shall be responsible for ensuring that the Board Members and Senior Executive Management exhibit the highest level of credibility, integrity, competence and expertise and that they can devote sufficient time and commitment to serving the Bank effectively in line with the Jordan Commercial Bank's Suitability Policy.

The Senior Executive Management includes the Bank's General Manager, Regional Manager, Deputy General Manager, Deputy Regional Manager, Assistant General Managers, Assistant Regional Managers, Chief Financial Officer/Finance Manager, Operations Manager, Risk Manager, Internal Audit Manager, Treasury Manager and Compliance Manager. It also includes any Bank employee possessing an executive authority corresponding to the authorities of any of the aforementioned persons and directly reporting to the General Manager. A No Objection Certificate shall be obtained from the Central Bank before appointing any member in the Senior Executive Management. The members of Senior Executive Management are designated in the relevant suitability policy.

Second: Qualifications of Board Members

The Chairman and every member of the Board must meet certain requirements in terms of professional experience, personal traits and solvency as well as have the following expertise, qualifications and competencies:

A. Experience and Qualifications:

- Independent judgment and ability to participate in taking sound decisions.
- Knowledge of financial statements and acceptable understanding of financial percentages used in measuring performance.
- Reasonable expertise or skills in the areas of accounting, finance, banking or any other banking expertise.
- Commitment to learning the Bank's operations, fulfilling contribution requirements and dedicating sufficient time and effort to serving the Bank.
- Readiness to resign from the Board of Directors in case of any change in professional responsibilities.
- Understanding and knowledge of the best international practices in the area of management and their applications to the rapidly evolving business environments.
- Short- and long-term crisis management abilities.
- Knowledge of global markets.
- Leadership skill capable of delegating authorities and motivating employees.
- Ability to provide strategic direction and demonstrate clear futuristic vision.

B. Board Membership Requirements

The Chairman and every member of the Board must meet the following requirements:

- Is not less than 25 years of age.
- Is not a Board Member, General Manager, Regional Manager or employee of another bank inside Jordan unless it is a subsidiary of the Bank.
- Is not a lawyer, legal counsel or auditor of the Bank.
- Has a minimum of a University Degree in Economics, Finance, Accounting, Business Administration or other relevant fields. The Nominations and Remuneration Committee may consider adding other specializations if combined with relevant banking experience.
- Is not an employee of the government or any public institution unless he/she is a representative of the institution.
- Is not a Board Member of more than five public shareholding companies in Jordan in his/her personal capacity in some and as a representative of a legal person in others; and is not a member or representing a member in the board of another similar or competitive company.
- Has at least five years of experience in banking, finance or similar fields.

C. **Diligence and Loyalty**

Members of the Bank's Board of Directors shall undertake their responsibilities in a diligent and loyal manner, as follows:

1. **Honesty**

The Board member's relationship with the Bank shall be one based on honesty, whereby that member, like any other Bank employee, shall communicate any relevant information prior to conducting any deal or commercial transaction with the Bank.

2. **Loyalty**

In the case of a conflict of interest between a Board Member dealing with the Bank and the Bank itself, the Board Member shall be required to fulfill the same requirements that he/she would have been required to fulfill if he/she had no relationship with the Bank. To that end, the Board Member shall undertake his/her role honestly, be mindful of the Bank's interests, avoid conflict of interest, and refrain from abusing his/her position or using any information accessible to him/her as a Board member for personal gain. The Board member shall advise the Board of any potential conflict of interest and refrain from voting on any resolutions related to this subject.

3. **Diligence**

Board members shall perform all the duties stipulated in the applicable laws and regulations and seek to obtain all necessary information to ensure that all decisions taken are in the interest of the Bank.

To fulfill the desired level of diligence, Board members must be knowledgeable of and familiar with the Bank's activities as well as the markets and sectors it serves. They shall attend Board

meetings and properly prepare for them beforehand, especially in relation to the decisions to be taken, as well as honestly undertake assigned duties. Moreover, they shall look for any warning indicators, follow up on important matters with the Bank's Management, obtain objective advice when necessary, and comply with the provisions of various laws pertaining to the Bank.

D. Independence

1. The Board must exercise effective leadership that is independent of the Bank's Management, as there are no executive members within the board. The number of independent Board Members shall not be less than four (4).

The most significant relationships that may affect a member's independence in the Bank is the existence of conflict between memberships in different boards of directors, an advisory relationship with entities related to the Bank, a direct or indirect business relationship between the member and the Bank, or the forging of any new relationship with the Bank that has been created and developed as a result of that person's membership on the Board.

2. To guarantee a Board Member's independence, he/she shall regularly disclose in writing any personal interest that may exist in any transaction or contract with the Bank for himself/herself, his/her spouse or relative up to the third degree if any of the aforementioned persons has an influential stake in a company to which such transaction or contract is related. No Board Member may participate in any meeting where said transaction or contract is discussed. The impact of other activities on that person's independence as a member of the Bank's Board shall be assessed.

An independent member is defined as a Board Member who is not subject to any influences compromising his/her ability to take objective decisions in favor of the Bank, and who fulfills the following requirements:

1. The Board Member has not been an executive Board member in the past three years preceding his/her election.
2. The Board Member has not been an employee of the Bank or any subsidiary in the past three years preceding his/her election.
3. The Board Member is not related, up to the second degree, to any other Board Member or a member of the board of directors of any subsidiary of the Bank, or to any major shareholder of the Bank.
4. The Board Member is not related, up to the second degree, to any member of the Bank's Executive Management or the executive management of any of its subsidiaries.
5. The Board Member is not and has not been a partner, employee or relative of the Bank's external auditor for the past three years preceding his/her election as a Board member, and is not related, up to the first degree, to the Bank's audit partner.
6. The Board Member is not a major shareholder, or a representative or an affiliate of a major shareholder of the Bank, or his involvement with an allied contribution

constitutes the amount of contribution of a major shareholder and is not a major shareholder in the Bank's group of owners.

7. The Board Member has not occupied the position of Board Member of the Bank or any of its subsidiaries or the position of Management Board Member therein for more than eight consecutive years.
8. The Board Member, or any company in which he/she is a Board Member, owner or major shareholder, has not been granted a credit by the Bank exceeding 5% of the Bank's subscribed capital nor has been a guarantor of a credit exceeding the same threshold.
9. The Board Member, or any of his/her relatives, must not have a direct or indirect interest in the contracts, projects and engagements made with the Bank, or any sister or affiliate company thereof, and whose value equals or exceeds JD 50,000 (fifty thousand Jordanian Dinars).
10. The Board Member must not own 5% or more of the Bank's subscribed shares, or of any sister or affiliate company thereof.
11. The Board Member must not be a relative of any of the Bank's shareholders who own 5% or more of the Bank's subscribed shares.
12. The Board Member possesses extensive experience and qualifications in finance or banking.

E. Knowledge

Board Members shall be knowledgeable of banking operations, risks to which the Bank may be exposed, and financial statements reflecting the Bank's financial position. In addition, they shall be familiar with the laws, legislation and instructions with which the Bank must comply, stay abreast of new developments in the financial services sector, attend Board Meetings and Board Committee Meetings, and review the reports and recommendations presented by the Bank's Executive Management, internal auditor, external auditor and regulatory authorities.

F. Code of Business Conduct

The Board has approved and issued a Code of Business Conduct, which the Executive Management circulates at all administrative levels and ensures that the Bank's personnel adhere to the contents thereof. This includes, for example but not limited to, a ban on the use of inside information by executive officers for personal gains; rules and procedures regulating transactions with relevant related parties; and situations that may give rise to a conflict of interest.

Third: Evaluation of Executive Officers' Performance:

1. The Board has devised a system to evaluate its performance and the performance of its members. This system includes the following:
 - Setting specific objectives and defining the role of the Board in achieving these objectives in a measurable way.
 - Setting KPIs that may be derived from strategic plans and objectives and using them to measure the performance of the Board.

- Ensuring regular communication between the Board and shareholders.
 - Holding regular meetings between the Board and the Senior Executive Management.
 - Reviewing the role of a Board Member in Board meetings and comparing his/her performance to other members. Feedback shall be obtained from the concerned Board Member to improve the evaluation process.
2. The Board shall approve a system for measuring the performance of the Bank's Executive Management. This system shall include the following:
- Giving appropriate weighted measures of performance in abiding by the risk management framework and implementation of internal controls and regulatory requirements.
 - Ensuring that total income or profit should not be the only basis for measuring the performance of executive officers; rather, other elements must be taken into account, such as the risks associated with the main operations, customer satisfaction, and others where applicable.
 - Avoiding exploiting influence and conflict of interest.

Fourth: Remuneration and Compensation for Board Members

The Bank's regulations shall determine the way by which Board Members are remunerated. Such remuneration and compensation shall be in the form of meeting attendance allowance, transportation allowance, in-kind benefits, and specific percentage of profits, and as set forth in the Board Member Suitability Policy approved by the Bank.

Part IV: Control Systems

First: Selection of Management Members and Their Oversight Role:

1. Selection of Management

The Board of Directors shall approve the appointment of a General Manager for the Bank or any of the members of the Bank's Senior Executive Management, provided that the following requirements are fulfilled (bearing in mind that the Central Bank shall be entitled to object to such appointment):

- Must be of good conduct and reputation.
- Must not be a member of the board of directors of any other bank unless it is a subsidiary of the Bank.
- Must be fully dedicated to managing the Bank's activities.

- Must exhibit the banking expertise and competency required to carry out the Bank's activities.
- Has a minimum of a University Degree in Economics, Finance, Accounting, Business Administration or relevant fields.
- Has at least five years of experience in banking or similar fields. The General Manager and Regional Manager must possess at least 10 years of banking experience.

Other requirements stipulated in the Executive Management Suitability Policy shall be observed.

2. Management's Oversight Role

The Bank's Executive Management, through different departments and divisions of the Bank, shall furnish the Board of Directors with periodical reports, information and data, as needed, to ensure that the Board performs its oversight role on the Bank's operations and evaluates current and potential risks so as to manage them in an efficient and effective manner.

3. External Communications

The Board shall provide related parties with accurate and timely information to enable them to monitor the Board and Executive Management and hold them accountable for the way of managing the Bank's assets. This shall be done through the reports requested by the Central Bank and the periodic financial reports issued to shareholders and through the disclosure of the following in accordance with the applicable Disclosure Policy:

1. Names of the members of the Board of Directors and Executive Management
2. Organizational Structure and Corporate Governance Manual
3. Incentives and remuneration of members of the Board and Executive Management
4. Nature and size of operations with affiliate companies and related entities
5. Key risks facing the Bank and its Risk Management Policy

4. Planning

The Board of Directors is assigned important duties, particularly the mapping of the Bank's general strategies and approval of work policies. This is done through participation in and approval of long-term strategic plans, annual work plan, and estimated budgets. Accordingly, the Board shall undertake the following:

- Provide a planning mechanism and appropriate work plans and ensure that these are properly implemented and monitor their outcomes.
- Measure the achievement of the Bank's goals and objectives by developing its systems.
- Identify the Bank's strengths, weaknesses and opportunities as well as the threats facing it.
- Ensure the availability of a competent management team.

- Verify the Management's compliance with capital adequacy ratios, liquidity ratios and availability of sources of funds, including capital, in a manner that ensures the achievement of the Bank's planned goals and objectives.

5. Policies

Since the Board of Directors is the primary body responsible for managing the risks to which the Bank may be exposed, the Bank maintains the policies mentioned below, which cover all the Bank's activities. The Executive Management ensures that these policies are in place, reviews them periodically and works on issuing unavailable policies:

- a) Credit Policy
- b) Investment Policy
- c) Fund Sources Management/Asset and Liabilities Management Policy
- d) Code of Business Conduct adopted by the Jordan Commercial Bank
- e) Personnel Affairs Policy
- f) Other policies:
 - Risk Management Policy
 - Compliance Control Policy
 - Anti-Money Laundering and Terrorism Financing Policy
 - Policy on Compliance with the requirements of the Foreign Account Tax Compliance Act (FATCA)
 - Policy on Fair and Transparent Dealing with Customers
 - And other approved policies.

Second: Internal Control Systems

The Board shall monitor the work of Senior Executive Management with the aim of verifying the effectiveness and efficiency of operations, credibility of financial reports and compliance with applicable laws, legislation and instructions. The Senior Management shall implement the following fundamental principles of internal control systems:

- Providing a regulatory environment reflected by the existence of an organizational structure that clearly outlines communication and responsibility channels.
- Establishing an independent department for risk management, supported by a risk management policy for identifying and assessing the risks to which the Bank may be exposed and determining the economic capital required to address such risks.
- Providing controls and a mechanism for the separation of responsibilities, including the separation of the responsibilities of "risk-takers" and "risk controllers".
- Observing the principle of dual control when developing regulatory controls.
- Setting work procedures allowing decision makers to have timely access to information so as to expedite activation of the contingency plan, where necessary.
- Revisiting the internal control system approved by the Board of Directors periodically by both the internal auditor and external auditor to assess its efficiency and ensure that it is in accord with applicable laws, regulations and directives.
- Observing the independence of Risks, Internal Audit and Compliance departments and divisions.
- Providing financial and accounting systems that can demonstrate the actual financial position of the Bank and provide the information necessary for sound decision-making in a manner enabling

the preparation of periodic and annual financial statements and in accord with International Financial Reporting Standards (IFRS).

- Ensuring the efficiency and integrity in relation to the IT management by devising effective internal controls.
- Providing the necessary security, safety and protection requirements for the Bank.

The following are the key themes of administrative control:

1. Internal Audit

Internal audit is an important source of information and assists the Bank's Management in identifying and efficiently managing risks.

- A. The Audit Department undertakes, at minimum, the following responsibilities:
 - Verifying the availability of, and compliance with, adequate internal control systems at the level of the Bank and its subsidiaries.
 - Verifying compliance with the Bank's internal policies, international standards and relevant legislation.
 - Auditing financial and administrative matters to ensure accurate, reliable and timely financial and administrative information.
 - Reviewing compliance with the Corporate Governance Manual.
 - Reviewing the soundness and comprehensiveness of the stress testing scenarios in line with the methodologies adopted by the Board.
 - Verifying the accuracy of the procedures adopted for the internal capital adequacy assessment process (ICAAP).
- B. The Board shall ensure and promote the independence of internal auditors and that internal auditors are well-positioned in the Bank's organizational structure and that they are qualified to carry out their tasks. The Board shall also ensure that internal auditors have the right to access all records and information and contact any employee of the Bank in order to properly carry out their tasks and prepare their reports without external interference.
- C. The Board shall take the necessary measures to enhance the effectiveness of the internal audit by recognizing the importance of the audit process and following up on the correction of audit notes.
- D. The Internal Audit Department shall be subject to direct supervision by the Audit Committee where:
 - It shall report directly to the Board's Audit Committee, which shall be responsible for assessing its performance.
 - The internal auditor and Audit Committee shall review the reports prepared by the external auditor and the Central Bank and follow up on the measures taken in relation thereto.
 - Both the internal auditor and external auditor shall cooperate and deliberate to enhance the efficiency of internal controls.
- E. The Bank shall not assign any executive tasks or responsibilities to internal auditing personnel.
- F. Internal audit assignments are prioritized on risk assessment.
- G. It shall be responsible for reviewing the Bank's financial reporting, ensuring that significant financial, administrative, and operating information is accurate, reliable and timely.
- H. It shall ensure the commitment to the implementation of all the Bank's internal policies, directives and procedures issued by the regulatory authorities, as well as the relevant international standards, procedures and laws.

2. External Audit

- The General Assembly shall elect an external auditor that is licensed to perform external audits in accordance with approved international audit standards, professional standards and principles, and applicable legislation.
- The external auditor shall furnish the Internal Audit Committee with a copy of its report and shall meet with said Committee at least once a year, without the presence of the Executive Management.
- The external auditor shall attend the Bank's General Assembly meetings.
- The external auditor shall audit the Bank's accounts as per international standards and recognized professional rules, and examine the Bank's administrative, financial, and internal control systems to ensure efficiency of the same as well as the credibility and fairness of financial statements issued by the Bank's accounting and information systems. The external auditor shall also report any breaches of the law or any financial or administrative matters that may negatively impact the Bank's position to the competent authorities.
- The Bank shall regularly rotate the external auditor amongst audit firms and their subsidiaries, affiliates or associate firms every seven years, at most, as of the date of election by the (Head Office, Jordan). The seven-year period shall start on the date of implementation (as of 2010). In the first year after rotation, the successor auditor shall work jointly with the predecessor auditor. The predecessor auditor may not be re-elected before the lapse of two years from the date of his/her last election not including the joint audit assignment. A five-year period shall be considered for the Regional Office of Palestine.
- The Audit Committee shall verify the independence of the external auditor on an annual basis.
- The Board shall take appropriate measures to address weaknesses in the internal control systems and any other issues reported by the external auditor.
- The external auditor shall provide the Central Bank with an annual report for the internal and external audits that includes the Executive Management response and informs the board's recommendations regarding it, during the first quarter of each year.
- The Board shall recommend to the General Assembly an external auditor (to be assigned with auditing the activities of Palestine branches) for approval, after obtaining the consent of the Palestine Monetary Authority.
- Upon the appointment of the external auditor, the Bank shall make sure that it is not a founder, shareholder, member of the Board of Directors, or a partner of, or an employee working for, any Board member.
- Upon the appointment of the external auditor, the Bank shall make sure that the former is registered with the Jordan Securities Commission.
- The Bank shall ensure that the external auditor does not conduct any additional tasks for the Bank, such as the provision of administrative and technical advice, except after obtaining the approval of the Board based on the recommendation of the Bank's Audit Committee.
- Upon the appointment of the external auditor, the Bank shall make sure that the former acts independently as per international audit standards.
- The Bank shall ensure that the assigned auditor performs its duties in an impartial manner without any intervention by the Board or the Senior Executive Management.
- The Bank shall not appoint any employee of the external auditor's firm at the Bank's Senior Executive Management, until after one year at least has elapsed from the date of ceasing to conduct any audit works for the Bank.
- The external auditor shall perform the tasks assigned in an independent and impartial manner.
- The external auditor shall monitor the Bank's business activities.

- The external auditor shall examine the Bank's administrative and financial systems as well as internal control systems, expressing an opinion on their efficiency and verifying that they are suitable for safeguarding the Bank's funds and ensure seamless operations.
- The external auditor shall verify the Bank's ownership of assets and the legality of the Bank's obligations.
- The external auditor shall attend the Bank's General Assembly meetings.
- The external auditor shall respond to shareholders' questions and queries in respect of financial statements and final accounts during the General Assembly meetings.
- The external auditor shall express an opinion regarding the fairness of the Bank's financial statements and request amendment should their fairness be compromised.
- The external auditor shall report any breaches of the applicable legislation or any financial or administrative matters that may negatively impact the Bank's position to the competent authorities.

3. Risk Management

The Risk Management Department shall undertake the following roles and responsibilities:

1. It shall submit its reports to the Risk and Compliance Committee, and a copy thereof to the General Manager. As for daily operations, the Department shall report directly to the General Manager.
2. It shall review and analyze all types of risks that the Bank may face including credit, market, liquidity and operational risks.
3. It shall develop measurement and control methodologies for each type of risks.
4. It shall set the Risk Appetite in coordination with the Bank's relevant entities as approved by the Board, submit reports and document exceptions to such Risk Appetite to the Board, and follow up on the rectification of negative deviations.
5. It shall provide the Board and Senior Executive Management with information about risk measurement and the Bank's risk profile and follow up on the correction of deviations.
6. It shall provide the necessary information on the Bank's risks for use in the Bank's disclosures and publications.
7. Some committees of the Executive Management, such as Credit Committee, Assets and Liabilities Management Committee, Treasury Committee, and Investment Committee, shall assist the Risk Management Department in performing its duties as per the authorities designated to said Committees.
8. The Department shall monitor the compliance by various Executive Departments with the approved levels of Risk Appetite.
9. The Board shall ensure that excesses over acceptable Risk Appetite levels are addressed, including, for example, questioning the Senior Executive Management about such excesses.
10. The Risk Management Department shall conduct periodic stress tests to gauge the Bank's ability to absorb shocks and deal with high risks. The Board shall have a fundamental role in approving the assumptions and scenarios used, discussing the stress tests' results and approving the measures to be taken based on these results through the Risk and Compliance Committee.
11. The Bank shall adopt a methodology for internal assessment of capital adequacy. The said methodology shall be comprehensive, efficient and able to identify all risks that the Bank may

- face. It shall take into consideration the Bank's strategic plan and capital plan. The Board shall revise the methodology regularly and ensure that it is duly implemented and that the Bank has adequate capital to face any risks.
12. Before approving any expansion of the Bank's activities, the Board shall consider the risks resulting from such expansion as well as the competencies and qualifications of Risk Management Department's employees.
 13. The Board shall ensure the independence of the Risk Management Department by having it report to the Risk Management Committee and that it is granted the necessary powers to access information from the various departments at the Bank and cooperate with other committees to perform its tasks.
 14. The Department shall review the risk management framework before being approved by the Board.
 15. The Department shall implement the risk management strategy and develop policies and work procedures to manage all types of risks.
 16. The Department shall verify the compatibility of the risk measurement mechanisms with the management information systems used.
 17. Recommendations are presented to the Risk Management Committee on risk exposures and any exceptions to the risk management policy.
 18. The Risk Management Department shall be directly responsible for ensuring the "prudent management of IT risks" and the "risk management" processes.

4. Compliance

The Compliance and AML Department has been established at the Bank. It reports directly to the Board and Board Committees and maintains direct contact with the General Manager. The department has been provided with trained personnel. It shall devise an effective methodology to ensure the Bank's compliance with all applicable laws and regulations and any relevant instructions and manuals, as well as the tasks, authorities and responsibilities of the Compliance Department. The said methodology shall be circulated within the Bank to all personnel and the Bank shall undertake the following:

- Approve the Anti-Money Laundering and Terrorism Financing Policy, in accordance with the governing laws and legislation, in addition to any other policies issued by the Compliance Department concerning internal control and governance of relevant decisions.
- The Compliance Department shall report to the Board through the Committees and send a copy of its reports to the General Manager.

Part V: Board Committees

First: Corporate Governance Committee

The Committee is comprised of three members, two of whom are independent, with one being Committee Chairman. The Committee shall include the Chairman of the Board of Directors. It shall convene regularly provided that it shall hold no less than two meetings per year, with the meeting minutes duly recorded. Duties of the Committee can be summarized as follows:

1. Ensuring the implementation of the Corporate Governance Manual.
2. Reviewing and updating the Corporate Governance Manual whenever required.
3. Inviting any person in the Bank, at all administrative levels, to seek their opinion or ask them about any matter.
4. Submitting a report to the Bank's Board of Directors at least once a year, including its opinion regarding the extent of compliance with the provisions of the Corporate Governance Manual.
5. Compiling the corporate governance report and submitting the same to the Board of Directors.
6. Examining the observations put forth by the Jordan Securities Commission with regard to the implementation of governance principles and following up on the actions taken.

Second: Audit Committee

The majority of Audit Committee members shall be independent members of the Board, including the Committee Chairman who shall not be the Chairman of the Board or the Chairman of any other Board Committee. The Committee shall be re-formed to include four members, of whom three shall be independent, possessing practical and professional expertise, qualifications, adequate knowledge and understanding of the international accounting standards and principles required, as well as financial and other competencies relevant to the Bank's business. Members shall also be fully knowledgeable of the instructions of the Central Bank and the regulatory authorities. The Committee shall continue to perform its duties throughout the tenure of the Board of Directors. The Bank shall ensure that no activities of any other committee are combined with those of the Audit Committee. The Bank's Audit Committee shall assume the following duties and authorities:

- The Committee shall recommend the nomination of auditors for appointment or termination of their service and verify that they meet the requirements set forth in the instructions of the Securities Commission.
- The Committee shall review the fees of auditors and recommend the fair value of the same in light of the required audit scope.
- The Committee shall recommend the appointment or termination of senior officers of the Internal Audit Department. It shall, in general, evaluate internal and external audits; review the scope, outcomes and adequacy of accounting matters impacting the Bank's financial statements; review and develop internal control systems; and provide the necessary support to the main internal audit staff to establish their independence and pay due attention to their employment conditions.
- The Committee shall approve the annual internal audit plan of the Bank after consulting with auditors on the nature and scope of audit required, so as to ensure necessary coordination between the work of internal audit and that of the external auditor for a wider audit coverage of the Bank's activities, departments and branches with minimal duplication.
- The Committee's approval shall be required in respect of any deviation from the annual internal audit plan or any amendment or postponement.
- The Committee shall examine and follow up on the reports of the Internal Audit Department, the Bank's auditors and the Central Bank's inspectors, and other audit reports to which the Bank is subject from time to time. It shall also study the outcomes, notes and recommendations of the same and review the Management's response to each report and taking the necessary actions.

- The Committee has the authority to obtain any information from the Executive Management and is entitled to invite any employee to attend any of its meetings in accordance with the provisions of the Committee's Charter.
- The Committee shall review and monitor the procedures enabling any employee to confidentially report any error in the financial reports or any other matters. It shall also ensure that there are arrangements for independent investigation in place and follow up on the results of such investigation and objectively handle the same.
- The Committee shall follow up on the implementation of any important audit notes, whatever their source, in an efficient and prompt manner, ensuring that appropriate corrective measures are taken without delay.
- The Committee shall examine auditors' notes on internal control systems and others and review the Bank's responses to the same. This includes reviewing the correspondence exchanged between the Bank and auditors to assess the contents thereof and make relevant notes and recommendations.
- The Committee shall review the Bank's interim and annual financial statements before presenting the same to the Board of Directors, giving special care to any differences that may arise between the Management and auditors during the preparation of financial statements or their results. It shall also ensure the implementation of the Central Bank's instructions on the adequacy of bad debt reserves and security portfolio provisions and express an opinion on the Bank's non-performing debts or those proposed to be considered bad debts.
- The Committee shall review any material amendments or other important issues relating to auditing processes or accounting principles applied by the Bank when preparing the annual financial statements. It shall also make sure that said financial statements conform to the instructions of the Central Bank and the Securities Commission, and other legal requirements and applicable accounting standards.
- The Committee shall consult with auditors, where necessary, on the suitability and accuracy of the Bank's internal control systems, and the extent of complying therewith, especially the adequacy of such systems for disclosing the Bank's annual financial statements in a correct and honest manner that is in line with applicable accounting rules.
- The Committee shall regularly meet with the internal and external auditors and the Compliance and AML Manager, at least once per year without the attendance of any member of the Senior Executive Management.
- The Committee shall ensure full compliance with the laws, regulations and instructions governing the Bank's business.
- The Committee shall express an opinion on other matters presented thereto by the Board of Directors from time to time.
- The Committee shall receive detailed quarterly statements of defaulted debts of various classifications, as approved in the Credit Facilities Regulation. Such statements shall include the debts to be rescheduled or settled.
- The Committee shall receive detailed quarterly statements on in-kind and cash collections of defaulted debts and their impact on the profit and loss account.
- The Committee Chairman shall attend the annual meeting of the Bank's General Assembly.
- The Committee shall ensure the availability of adequate resources, including a sufficient number of trained and qualified employees, to carry out internal audit tasks.
- The Audit Committee shall ensure the rotation of the audit of the Bank's various activities among internal audit employees every three years at most.
- The Committee shall make sure that no executive tasks are assigned to internal auditing personnel.

- The Committee shall ensure that all of the Bank's activities, including outsourced activities, are audited.
- The Board shall approve an internal audit charter, outlining the tasks, authorities and responsibilities of the Audit Department and circulate it within the Bank.
- The Audit Committee shall evaluate the performance of the Internal Audit Department's employees and determine their remuneration.
- The Audit Committee shall verify the independence of the external auditor on an annual basis.
- The Committee shall review the external auditor's report and make sure that it covers all the Bank's activities. It shall also review the Central Bank's reports and follow up on the actions taken.
- The Committee shall detail the roles and responsibilities in relation to the management of information and related technologies, as set forth in the attached IT Governance Manual.
- The Committee shall work under the supervision of the Board and shall submit its reports and recommendations on the results of its operations to the Board.
- The Committee shall examine all works carried out by the external auditor, including notes, suggestions and reservations, follow up on the Bank Management's response to the same and submit recommendations in this regard to the Board.
- The Committee shall review the Bank's correspondence with the external auditor, assess the contents and make notes and recommendations on them to the Board.
- The Committee shall review the external auditor's assessment of the internal audit and control procedures.
- The Committee shall review the internal audit and control reports, especially those pertaining to any violations revealed by the internal auditor.
- The Committee shall present recommendations to the Board regarding any matters related to internal audit and control procedures and the internal auditor's work.
- The Committee shall ensure that no conflict of interest may arise as a result of the Bank's execution of deals, contracts or projects with related parties.
- The Committee shall review the dealings of related parties with the Bank and present recommendations to the Board prior to concluding the same.
- The Audit Committee shall convene at the invitation of its Chairman, provided that the meetings held shall not be less than four (4) meetings per year, or whenever necessary, or based on a decision by the Bank's Board, or upon the request of two other members. The meeting of the Committee shall be deemed legally valid if attended by at least two (2) members. The meeting minutes shall be duly recorded, and recommendations shall be made by majority vote.
- The Internal Audit Manager/Auditor-General at the Bank shall be invited to attend the Committee's meetings. The Committee may invite any person to express an opinion regarding any given matter.

Third: Nominations and Remuneration Committee

The Nominations and Remuneration Committee is comprised of a minimum of three (3) members, the majority of whom are independent including the Committee Chairman. It shall convene regularly provided that it shall hold no less than two (2) meetings per year, or whenever necessary, with the meeting minutes duly recorded. The Committee shall assume the following duties and authorities:

1. The Committee shall identify individuals who are qualified to become Board members, taking into consideration candidates' competences and qualifications, and in the case of re-election their effective performance and attendance of Board meetings.
2. The Committee shall work on a clear methodology to ensure that all Board members devote sufficient time to carrying out their Board duties, including, for example, the member's affiliation with other boards of directors, committees, forums, etc.
3. The Committee shall identify the strengths and weaknesses of the Board of Directors and propose the necessary steps to address them in alignment with the Bank's interests. To achieve that, it shall adopt specific, approved and objective criteria for evaluating the Board's performance, including comparisons to other banks and similar financial institutions. The Committee shall also adopt standards to ensure the integrity and correctness of the Bank's financial statements and determine the degree of adherence to regulatory requirements.
4. The Committee shall ensure that Board Members attend workshops or seminars on banking-related topics, particularly risk management, corporate governance and the latest banking developments.
5. The Committee shall provide Board members with important background information and briefs on the Bank at their request and ensure they are always updated on the latest banking developments.
6. The Committee shall ensure that there is a succession plan in place for the Senior Executive Management.
7. The Committee shall annually review the required skills for Board membership and prepare a description of the required competencies, including the time that must be devoted by the member for Board duties.
8. The Committee shall annually verify the independence of independent Board members and that there is no conflict of interest in case the member serves on the board of directors of another company.
9. The Committee shall ensure that there are clear policies in place for Remunerating Board Members and Senior Executives and use performance-related criteria to determine said remuneration. It shall also verify that salaries are sufficient for attracting and retaining qualified talents at the Bank. The policy shall aim to observe the following:
 - The policy should be structured to recruit and retain qualified and experienced executives and to motivate them and promote their performance. It may not be used in a way that affects the Bank's financial position and reputation.
 - The policy shall take into consideration the risks, liquidity and profits and their timing, and reflect the goals, values and strategy of the Bank.
 - Remunerations shall not be based on the performance of the current year only but shall also take into consideration the medium- and long-term performance (three to five years).
 - The policy shall define the form of remunerations, such as fees, salaries, allowances, bonuses, share options or any other form of benefits.
 - It shall offer the possibility of postponing payment of a reasonable proportion of remunerations. The amount of such proportion and the postponement period shall depend on the activities and nature of the work performed by the concerned executive and the risks associated therewith.
 - Executives of supervisory departments (e.g. Risk Management, Audit, Compliance, etc.) shall not be given remunerations based on the performance of their respective departments but rather based on their own performance and accomplishments.

10. The Committee shall approve the remuneration scheme, specifying the remunerations of the Executive Management, including the General Manager's salary and benefits. It shall also approve the staff remuneration schedule and the annual salary increase policy based on the recommendations made by the General Manager.
11. The Committee shall present its reports/recommendations, and report the outcome of its activities, to the Bank's Board of Directors.
12. The Committee shall annually assess the overall performance of the Board and Board Committees, and its members, advising the Central Bank of the results of said assessment.
13. The Committee shall annually evaluate the General Manager's performance using an evaluation system developed by it, which includes a number of KPIs. The General Manager's performance evaluation criteria shall include financial and managerial performance and achievement of the Bank's medium- and long-term plans and strategies. It shall inform the Central Bank of the evaluation results.
14. The Committee shall lay out and annually review a policy for remuneration, benefits, incentives and salaries at the Bank. Upon approving the policy, the Board shall provide the Central Bank with a copy of it within a maximum period of seven (7) business days from the date of approval.
15. The Committee shall identify the Bank's needs of staff as well as qualified members to join the Senior Executive Management and specify the criteria for the selection.

Fourth: Risk and Compliance Committee

The Risk and Compliance Committee has been formed by a decision of the Bank's Board of Directors and is comprised of four (4) members, two of whom are independent, bearing in mind that members of the Senior Executive Management may join the Committee as members as per its charter. The Committee shall continue to operate throughout the tenure of Board membership and shall assume the following roles and authorities:

A. Aspects Relating to Risk Management:

- Approve the organizational structure of the Risk Management Department.
- Approve the risk management policies, instructions, procedures and reporting system, and review the same on a regular basis and determine their efficiency.
- Approve and supervise the acceptable Risk Appetite levels at the Bank and review the same on a regular basis.
- Identify the risks to which the Bank may be exposed and monitor the efficiency of controls, as well as identify and develop the means and tools to assess, measure and mitigate such risks.
- Assess the efficiency of the Bank's control systems to ensure that they are fully implemented by all departments.
- Review all reports issued by the Risk Department, taking all actions to minimize the risks to which the Bank may be exposed and presenting recommendations in this regard to the Bank's Board.
- Strive to raise the awareness of employees of all types of risks to which the Bank may be exposed.
- Undertake any other duties pertaining to risk management and review the Bank's risk management framework.
- Review the Bank's risk management strategy before having it approved by the Board of Directors.

- Keep abreast of developments affecting the Bank's risk management and submit periodic reports regarding the same to the Board.
- Make sure there is no discrepancy between the actual risks that the Bank takes, and the risk appetite approved by the Board.
- Create a suitable environment to ensure identification of risks that have a material impact on the Bank and any activities that may expose the Bank to risks greater than the approved risk appetite, reporting the same to the Board and following up the handling thereof.
- Monitor and assess the various risks to which the Bank may be exposed.

B. Aspects Pertaining to Compliance

- Review the notes contained in the reports of the Compliance Department, the Central Bank and the external auditor on compliance at the Bank and follow up on the actions taken thereon in a manner that does not conflict with the authorities of the Audit Committee.
- Recommend to the Board the approval of the compliance policy, AML policy, know your customer policy and any amendments made; as well as any other policies regulating the Bank's compliance activities.
- Review the periodic (quarterly, bi-annual and annual) audit reports issued by the Compliance Department with respect to the compliance of all the Bank's policies, procedures and work plans with the relevant laws and official instructions
- Review the Compliance Department's annual plan and work program and ensure adherence.
- Receive reports on suspicious transactions of which the Anti-Money Laundering and Terrorism Financing Unit is notified.
- Review the corrective and/or disciplinary procedures and measures taken by Executive Management upon discovering any violations arising from non-compliance, especially for violations that may subject the Bank to legal penalization or financial loss or jeopardize its reputation.
- Undertake any other duties pertaining to compliance.
- Operate under the supervision of the Board, reporting and presenting its recommendations to the same with respect to the outcomes of its activities. The Compliance Committee shall convene regularly at the invitation of its Chairman at least twice a year or whenever the need arises, or at the decision of the Board or at the request of one of its other members. The Committee's meeting minutes shall be duly recorded, and its meetings shall be considered legally valid if attended by at least two (2) members. Committee recommendations shall be made by majority vote.

Fifth: Credit Facilities Committee

The Committee has been formed by a decision of the Board of Directors. The number of its members may not be less than five (5) and any one of them may be an independent member, provided that he is not a member of the Audit Committee. Members of the Senior Executive Management may participate in the Committee's meetings to present their recommendations and examine credit facilities surpassing the authority of the highest Executive Management Committee. The legal minimum for Committee meetings shall be the attendance of at least four (4) members. Committee decisions are taken by a majority vote regardless of the number of members in attendance. Committee members shall personally attend and vote on their own decisions. In the event of inability to attend personally, members may express their opinion by video or phone. They may vote and sign the meeting minutes provided that this is duly

documented. This procedure is considered an exception specifically for this Committee. The Committee shall be concerned with matters pertaining to granting credit facilities and strategic investments, and its authorities in respect of credit and investment shall be determined in accordance with the authority matrix approved by the Board. The Committee's roles and authorities can be summarized as follows:

- The Credit Facilities Committee shall take the right decision with regard to the facilities recommended for approval by the Executive Management Committee.
- The upper limits of the powers vested in this Committee regarding the granting, modification, renewal or restructuring of credit facilities shall be determined and the Board's powers in this regard shall be clarified.
- The Committee shall periodically submit to the Board details of the facilities approved by it.
- The Committee shall take decisions on exceptional cases within the limits of the authority matrix and in accordance with the applicable terms and principles, and the administrative hierarchy.
- The Board may delegate some or all of the powers of the Credit Facilities Committee regarding the amendment of conditions or the restructuring of facilities to the Senior Executive Management Committee. The Credit Facilities Committee should be informed of the decisions taken within these powers.
- The Committee shall approve credit transactions in accordance with the Bank's authority matrix and the Committee's charter approved by the Board of Directors.

Sixth: Strategic Planning Committee

The Committee has been formed by a decision of the Board of Directors and shall be comprised of four (4) members of the Board, one of whom shall act as the Committee's Chairman. Committee members must be knowledgeable of administrative and financial matters and possess experience in banking and markets. A rapporteur shall be appointed to the Committee by the Board of Directors. The Committee shall convene regularly or whenever the need arises and shall take decisions and issue recommendations by majority of three of its members, of whom one shall be the Committee's Chairman. It shall submit its reports and recommendations, once they are issued, to the Board. The Committee shall hold no less than two (2) meetings per year. The duties undertaken by the Committee can be summarized as follows:

- The Committee shall recommend to the Board its suggestions regarding the Bank's appropriate strategic direction in light of the economic conditions, investment climate, and competition in the banking sector and developments therein.
- The General Manager shall be informed of the Board's strategic directions, plans and decisions, so that he can set the plans and executive procedures for the various business units at the Bank. Such strategic directions shall be adopted in the preparation of the annual work plans and budgets.
- The Committee shall review the General Manager's suggestions regarding work strategies to discuss them and prepare the necessary relevant recommendations for presentation to the Board.
- The Committee shall discuss the Bank's estimated annual budgets and decide thereon ahead of presentation to the Board.

- The Committee shall review the progress of annual work plans and estimated budgets, by comparing the actual accomplishments against the set targets and assess the causes of any deviation from set targets.
- The General Manager shall be invited to attend the meetings held by the Committee, in addition to any other person it deems appropriate. Dates of said meetings shall be set in coordination with the Committee's Chairman or whenever requested, provided that the General Manager is advised of the same by the Committee's rapporteur.
- The Committee's rapporteur shall be responsible for preparing the invitations for its meetings, agendas and minutes of meetings, and follow up on the implementation of its recommendations thereof as approved by the Board.
- The Committee shall undertake any other duties assigned thereto by the Board.

Seventh: Debt and Property Settlement Committee

The Debt and Property Settlement Committee consists of four (4) Board members and the Board appoints the Committee Chairman from among these four members. The Committee shall convene on a regular basis, provided that the meetings held shall not be less than two (2) meetings per year. It shall take decisions and issue recommendations by majority of at least two of its members, one of whom shall be the Committee Chairman, and submit its reports and recommendations, once they are issued or whenever the need arises, to the Board. The roles undertaken by the Committee can be summarized as follows:

- The Committee shall lay out the policy and executive plans pertaining to the disposal of property expropriated by the Bank, with the aim of reducing the property portfolio to a minimum to achieve capital profits on the one hand and increasing capital adequacy and preserving liquidity on the other.
- The Committee shall set, in coordination with the Executive Management, auction ceilings for property mortgaged to the Bank upon the Bank's participation in such auctions to assess any determinants imposed by certain considerations related to the size of the mortgage loan, its provisions and outstanding interest.
- The Committee shall monitor the estimated values of all Bank-owned properties, ensuring these are updated at least every two years and taking into account the requirements of the Central Bank and auditors in this regard.
- The Committee shall study the recommendations of the Property Sub-Committee with respect to the selling or substitution of properties and take appropriate decisions regarding purchase offers of any property, taking into account market estimates and the Bank's considerations.
- The Committee shall study the recommendations presented by Executive Management through its practical experience and take the necessary decisions.
- The Committee shall review the monthly statement of new properties mortgaged to the Bank and their estimated values, as well as the auction participation statement.
- The Committee shall undertake any other relevant duties assigned to it by the Board of Directors.

Eighth: IT Governance Committee

The IT Governance Committee shall be comprised of four (4) Board members. It shall convene at least on a quarterly basis, presenting its reports regularly to the Board. It shall undertake the duties assigned to it under the attached IT Corporate Governance Manual.

Decisions by the Board of Directors and Board Committees shall be issued by majority vote. In case of equal votes, the Chairman shall have a casting vote. The Committees shall have the following authorities:

- Request any data or information from the Bank's personnel who shall, in turn, be cooperative and provide such information in a complete and accurate manner.
- Request legal, financial, administrative or technical advice from any external advisor.
- Request the presence of any employee in the Bank to get the necessary clarifications.

Part VI: Conflict of Interest, Disclosure and Transparency

First: Conflict of Interest within the Board

The Bank shall ensure that no Board member has any direct or indirect interest in the business and contracts concluded by the Bank. However, if this is necessary, the matter shall be subject to the approval of the General Assembly, which is to be renewed annually. Any business carried out via public tenders shall be exempt from such requirement if that Board member has offered the best proposal and in a manner that does not conflict with the Companies Law. Moreover, the Board member shall notify the Board if he/she has a personal interest in the business and contracts made for the Bank, with such notification being documented in the meeting's minutes, provided that said member may not participate in voting on the decision to be issued in this regard. The General Manager shall inform the General Assembly, upon convening, of the business and contracts in which a Board member maintains a personal interest. Such notification shall be accompanied by a special report from the chartered accountant. The Board Member may not participate in any activity which may be in competition with the Bank. In this regard, the Bank shall be keen to avoid conflict of interest through the following:

- The Bank shall adopt policies and procedures for rectifying any conflict of interest.
- The Bank shall adopt policies and procedures for governing transactions with related parties, ensuring that they include a definition of those parties, taking into consideration the applicable laws and regulations, transaction terms, approval procedures and mechanism for monitoring such transactions.
- The supervisory departments in the Bank shall ensure that any transaction involving related parties has been carried out in accordance with the approved policy and procedures. The Audit Committee shall review and monitor all related-party transactions and update the Board on the same.
- The Board shall ensure that the Senior Executive Management implements the adopted policies and procedures.
- The Board shall adopt controls to manage the transfer of information within various departments to prevent exploiting such information for personal gains.
- The Board shall ensure that the Executive Management exhibits the highest level of integrity in performing its duties and avoids conflict of interest.

Second: Disclosure and Transparency

- The Board shall ensure that financial and non-financial information that is of interest to stakeholders is published.
- The Bank's annual report shall also include a statement to the effect that the Board is liable for the accuracy and completeness of the Bank's financial statements and other information contained in the report, as well as for the adequacy of the internal control systems.
- The Board shall ensure that the Bank's financial disclosures are consistent with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Central Bank's instructions, and other relevant legislation. It shall also ensure that the Executive Management is always up to date with IFRS changes.
- The Bank shall provide the Central Bank with the number of shares pledged by shareholders who hold 1% or more of the Bank's capital and the party for which the shares are pledged.
- The Board shall ensure that the Bank's annual and quarterly reports include disclosures that allow current and potential shareholders to know the financial position and operating outcomes of the Bank.
- Prior to the appointment of Senior Executive Management members, the Bank must obtain the candidate's CV accompanied by academic certificates, experience certificates, certificates of good conduct and other necessary supporting documents, and a signed copy of the declaration attached to the governance instructions. The Bank shall furnish the Central Bank with a copy of the said declaration and the CV.
- The Board shall ensure that the annual report includes, at minimum, the following:
 - Summary of the Bank's organizational structure.
 - Summary of the roles and responsibilities of Board committees and the authorities delegated to each committee.
 - Useful information of interest to stakeholders as identified in the Corporate Governance Manual and the extent of the Bank's compliance with the Manual.
 - Information on each Board member, including qualifications and experience, amount of shareholding in the Bank, whether an independent or non-independent Board member, membership in Board Committees, date of appointment to the Board, other memberships in the boards of directors of other companies, remunerations of all forms for the previous year in addition to loans from the Bank and any other transactions between the Bank and the Board member or parties related thereto.
 - Information about the Risk Management Department, including its structure and nature of its operations, and changes therein.
 - Number of meetings of the Board and Board committees and the number of meetings attended by each member.
 - Names of independent Board members and senior executives during the year.
 - Summary of the remuneration policy and full disclosure of all forms of remuneration to each individual member of the Board and Senior Executive Management for the previous year.
 - List of shareholders that own 1% or more of the Bank's capital, identifying the Ultimate Beneficial Owners of such shareholdings or any part thereof, in addition to a clarification as to whether the shareholdings are wholly or partially pledged.
 - Declarations from all Board members confirming disclosure of all benefits, in cash and in kind, received by them, or any persons related to them, in association with their work at the Bank in the past year.

- The Central Bank may object to the nomination of any person for Board membership, if it is found that he/she does not fulfil the requirements set forth in the Central Bank's instructions. The Bank shall observe the following:
 - o The Chairman and each member of the Board must sign the relevant declaration, with a copy kept with the Bank and another sent to the Central Bank along with the member's CV.
 - o The Central Bank shall be invited to attend the General Assembly meetings, at least fifteen (15) days prior to the set date, so that it may designate a representative.
 - o The Bank shall inform the Central Bank at least thirty (30) days prior to the General Assembly meeting of its intention to nominate the external auditor for election (or re-election) by the General Assembly.
 - o The Bank shall provide the Central Bank with information about members of the Board and Board Committees as well as the Senior Executive Management, as per the forms designed for this purpose, on a semi-annual basis and in the event of any change.
 - o The Bank shall provide the Central Bank with information about Board Members, Management Boards and Senior Executive Managements of the Bank's subsidiaries inside and outside Jordan, as per the forms attached to the Corporate Governance Guide, on a semi-annual basis and in the event of any change.
 - o The Bank shall provide the Central Bank with the General Assembly meetings within a period not exceeding five (5) days from the date of endorsement by the Companies General Controller or a representative.
 - o The Central Bank may summon any nominee for the Senior Executive Management for an interview prior to appointment. In addition, the Central Bank may, in the cases it deems necessary, summon any nominee for the Board of Directors for an interview.
 - o The Central Bank may appoint an external entity to assess the governance of any bank, at the expense of the latter.
 - o The Central Bank may, at any time, invite members of the Audit Committee, Internal Audit Manager or Compliance Manager to examine any matter falling within the scope of their duties.
 - o The Central Bank may set a larger number of independent members in the Board's structure, if deemed necessary.
 - o The Central Bank may consider any member as being non-independent as per certain data, in spite of that member fulfilling all requirements stipulated in Article 6/d of the Corporate Governance Instructions No. 63/2016 dated 25/9/2016, as set forth in Part Three "Suitability, Qualifications and Evaluation of Board Members" of the Corporate Governance Manual.
 - o The instructions issued by the Palestine Monetary Authority and the regulatory authorities in Palestine concerning corporate governance shall be observed. Should there be any conflict, the prior approval of the Central Bank shall be obtained to address such conflict.
- The Companies Law and any other relevant laws, legislation and instructions issued by the regulatory authorities shall be observed in a manner that does not conflict with the provisions of the Corporate Governance instructions.
- The duties of Board Committees' rapporteurs shall be set to include: attending all committee meetings; recording all deliberations, suggestions, objections and reservations; coordinating meetings with the respective Committee's Chairman and members; ensuring

that Committee members sign the meeting minutes and resolutions; keeping the Committee's meeting records and documents; and making preparations for meetings. Committee rapporteurs do not have the right to vote.

- No Board member may be appointed as chairman of more than one of the committees mentioned in the Corporate Governance Instructions (e.g., Corporate Governance Committee, Audit Committee, Nominations and Remuneration Committee, Risk and Compliance Committee). Moreover, the Board member may not serve as chairman of more than two Board committees.

Part VII: General Regulations

The Bank shall compile the Governance Report and incorporate it into the Annual Report. The Governance Report shall be signed by the Chairman of the Board and shall primarily include the following:

- Information and details pertaining to the implementation of these instructions and corporate governance regulations at the Bank.
- Names of current and resigning members of the Board of Directors for the year, indicating whether they are executive or non-executive, independent or non-independent members.
- Names of representatives of corporate members of the Board, indicating whether they are executive or non-executive, independent or non-independent representatives.
- Names and titles of the Executive Management's members.
- All board memberships held by any Board Member in public shareholding companies, if any.
- Names of Board Committees.
- Names of the Chairman and members of the Audit Committee along with a profile of their qualifications and expertise in relation to financial or accounting matters.
- Names of the Chairman and members of the Nominations and Remuneration Committee, Governance Committee, and Risk and Compliance Committee.
- Number of meetings held by all Committees during the year along with the names of attending members.
- Number of the meetings held by the Audit Committee with the external auditor during the year.
- Number of the meetings held by the Board during the year along with the names of attending members.