مصرف اسيا العراق الاسلامي
للاستثمار والتمويل
ASIA ALIRAQ ISLAMIC BANK
FOR INVESTMENT AND FINANCE

Asia Iraq Islamic Bank for Investment and Finance
Disclosure and Conflict of Interest Policy

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1. Introduction:

This document includes the Disclosure and Conflict of Interest Policy and should be read within the framework of the bank's general policies, as well as the standards and methods used in the policy.

The policy has been prepared based on best practices in the field of disclosure and conflict of interest, applied by major Arab and foreign banks.

Some phrases may be repeated in more than one policy, which is common in policy preparation, as some rules, laws, or instructions may be used in more than one policy. Therefore, they should be included in the respective policies to ensure that each policy is independent and contains all the relevant rules.

Hence, this document serves as a guide for those concerned with the Disclosure and Conflict of Interest Policy, to implement and execute its contents in line with sound banking practices, while defining duties and responsibilities to prevent the bank from facing potential financial and/or reputational losses.

The policy may not cover all situations that may arise from time to time, which necessitates that those concerned within the bank monitor updates and propose amendments and additions.

Finally, it should be emphasized that all contents of the policy are mandatory, and adherence to the prevailing laws and regulations in the Republic of Iraq is required, particularly the instructions issued by the Central Bank of Iraq.

2. Definitions:

The following terms shall have the meanings set out next to each of them, unless the context indicates otherwise:

Corporate Governance of Banks:

It refers to the system the bank relies on in its management, aimed at setting and achieving the bank's institutional goals, managing its operations securely, protecting the interests of depositors, fulfilling responsibilities toward shareholders and other stakeholders, and ensuring the bank's compliance with regulations, laws, and instructions issued by the Central Bank of Iraq, including the governance guide, internal bank policies, and procedures for the bank's operations. It encompasses a comprehensive set of rules that define the relationships between the Board of Directors, executive management, shareholders, and other stakeholders, and addresses corporate governance through which the Board of Directors directs and monitors activities as follows:

- Defining the bank's strategy,
- Managing the bank’s risk system,
- Bank operations and activities,
- Balancing the responsibility towards shareholders, protecting the interests of depositors, and considering other stakeholders' interests,
- Ensuring the bank's compliance with applicable laws, instructions, and regulations,
- Disclosure and transparency practices.

The Board:
The Board of Directors of Asia Iraq Islamic Bank for Investment and Finance.
Board Member:
A member of the bank's board, either in their personal capacity or representing a legal entity.
Executive Member of the Board:

A member of the Board with an executive role in the bank (e.g., Managing Director) of Asia Iraq Islamic Bank for Investment and Finance.
Non-Executive Member of the Board
A member of the board who does not intervene in the daily management of the bank and is not assigned any executive role within the bank. A non-executive board member may provide advice and technical consultation but does not participate in the bank's day-to-day management and does not receive a monthly salary.
Independent Member:
A board member who is fully independent of the management and the bank. Independence means the ability to make decisions impartially, considering all relevant information without influence from management or other external parties.
Senior Executive Management:
Includes high-level employees, including the Managing Director, Deputy/Assistant Managing Director, Assistant Managing Director, Chief Financial Officer, Operations Manager, Risk Management Manager, Internal Audit Manager, Treasury Manager, Investment Manager, Compliance Manager, Credit Manager, International Banking Operations Manager, Local Banking Operations Manager, Anti-Money Laundering and Terrorism Financing Manager, Human Resources Manager, Administration Manager, Public Awareness and Consumer Protection Manager, Branch Manager, in addition to any other employee with equivalent executive authority directly reporting to the Managing Director.
Related Parties
These include:

- Institutions related to the bank, their board members, and key managers,
- Major shareholders of the bank (holding 5% or more), their close relatives and affiliates, as well as any other institutions or companies they have direct or indirect supervisory control over,
- The Chairman and members of the Board of Directors, their close relatives and affiliates, as well as any other institutions or companies they have direct or indirect supervisory control over,
- The Managing Director and their key managers, their close relatives and affiliates, as well as any other institutions or companies they have direct or indirect supervisory control over.

Related Person

- Any manager in the bank,
- Any person related to a manager by blood (up to the second degree) or marriage, including adopted children or anyone residing with the manager,
- Any person who holds a qualifying interest in the bank or in any project owned by such a person or any bank manager,
- Any person as per Article (1) of the Banking Law No. (94) of 2004.

Associated Group:
A group of individuals or companies connected by familial relationships or significant economic interests.
Stakeholders:
Any party with an interest in the bank, such as depositors, shareholders, employees, creditors, customers (clients), regulatory bodies, and government authorities.
Material Interest / Qualifying Holding
Ownership by a shareholder or their relatives (up to the fourth degree) of at least 10% of the bank's capital.
Any natural or legal person, or associated group, intending to acquire more than 10% of the subscribed capital, must notify the Central Bank of Iraq at least 10 days before acquiring the interest to obtain approval for the acquisition.
Major Shareholder
A person who owns 5% or more of the bank's capital, directly or indirectly.
Control
A person is considered to control another company if they:

- Own or control directly or indirectly, or through one or more individuals, or have voting power of 25% or more of the company's voting shares,
- Have the authority to appoint the majority of the company's directors (or) exert significant control over the company.

Risk Management
A systematic process for identifying, measuring, and assessing risks faced by the business, evaluating them according to the likelihood of occurrence and the potential damage, determining which risks the bank can bear, avoid, or insure against, and identifying responsibility for handling them. It also involves ensuring that operations continue and reporting periodically and promptly to relevant stakeholders.
Conflict of Interest
A situation where the objectivity and independence of a decision made by an employee or board member is influenced by personal financial or non-financial interests that affect them personally or their close relatives. This includes situations like misusing assets, conducting transactions with related parties, issues related to financial and non-financial statements, the nomination of board members or executive management, determining their compensation, and more. It refers to any relationship considered or appearing not to be in the best interest of the bank, which may reduce the employee's ability to perform their duties objectively, particularly in relationships between bank employees and customers, suppliers, or competitors, where the employee gains a benefit at the bank's expense, whether material or moral.
General Assembly
The general assembly of the shareholders of Asia Iraq Islamic Bank for Investment and Finance.

Manager
Any person authorized with powers and responsible for a group of officials in the bank.
Bank Capital
Paid-up capital and its reserves.
Interested Person
Any employee of the bank with a direct (ownership and/or administrative/executive relationship) or indirect (through a family member or friend) interest in a company doing business with the bank.
Financial Interest
An employee has a financial or material interest, either directly or indirectly, in the following cases:

- If they have ownership, a stake, or an administrative relationship in any company doing business with the bank,
- If any of the employee's relatives (up to all degrees) or their friends and acquaintances have ownership, a stake, or an administrative relationship in any company doing business with the bank.

Suppliers
Any external party, including material and service suppliers to the bank, consultants, financial institutions, or any individuals or institutions that have business relationships with the bank.

1. Objectives of the Disclosure and Conflict of Interest Policy:

- The policy provides guidelines that the bank requires from all employees to adhere to the highest ethical standards in performing their duties and responsibilities, ensuring a reasonable assurance that no conflict exists between the interests of the bank and those of any of its employees.
- All employees must prioritize the bank's interests when interacting with customers, colleagues, or any parties related to the bank, disclose any conflict between their personal interests and the bank's interests, and act in the best interests of the bank.
- The bank's management is committed to providing protection for any employee who reports a suspected violation of the Disclosure and Conflict of Interest Policy, provided the report is made in good faith.

- The Nomination and Remuneration Committee – Board of Directors is responsible for preparing and reviewing the Disclosure and Conflict of Interest Policy.

2. **General Rules Regarding Disclosure**:

Upon the employee's appointment or when they first receive the Disclosure and Conflict of Interest Policy:

- A disclosure form is distributed to all bank employees.
- Each employee fills out the disclosure form accurately, to the best of their knowledge, and returns it to the Human Resources Department.
- Each employee signs an acknowledgment that includes the following:
    - Receipt of a copy of the Disclosure and Conflict of Interest Policy.
    - A statement that the employee has read and understood the contents of the policy.
    - The employee's agreement to comply with all the policy's terms.

Employees must disclose the following upon occurrence:

- If the employee or any of their relatives receives any gift subject to the terms of this policy, they must inform their direct supervisor, the Human Resources Department, or the Managing Director in writing. If the gift is refused, the decision of the direct supervisor or the Managing Director will prevail.
- Any full or partial ownership by the employee or their relatives (or friends) in any individual, partnership, or limited liability company, or any shares exceeding 5% of the capital of public joint-stock companies, to the best of their knowledge.
- Borrowing from any banks or other institutions in the name of the employee.

Providing personal guarantees for any individual, whether from the bank's employees or others, to any part.

3. Conflict of Interest Policy

A conflict of interest occurs when the bank intends to engage in a commercial transaction with a related party, which includes (but is not limited to) the following:

- Members of the bank's Board of Directors and any affiliated, associated, or subsidiary companies, external auditors, or consultants of the bank or its executive management.
- Any natural or legal person who directly or indirectly holds a qualifying interest in the bank or has the ability to control and influence the voting results of shareholders.

4. Related Policies for Managing and Implementing Conflict of Interest

The Board of Directors adopts the related policies for managing conflict of interest, which apply to the Board of Directors, executive management, employees, and any directly or indirectly related parties to the bank. Key policies include:

- No board member is allowed to make a decision where their objectivity or independence is influenced by a personal material or non-material interest that affects them or their close relatives up to the fourth degree, or when their performance is influenced by personal or indirect considerations or by having knowledge of information related to the decision.
- Receiving gifts or guarantees from the bank, as well as from their relatives up to the fourth degree, is prohibited.
- Board members and senior executive employees must disclose to the Board of Directors any direct or indirect financial benefit concerning them or on behalf of others in any transactions or matters that directly impact the bank or could lead to a conflict of interest.
- No board member, either personally or as a representative of others, may have interests conflicting with their duties, independence, or confidentiality obligations

associated with their position as a board member. Furthermore, they should not be part of the management or board of directors of any financing company dealing with the bank or provide professional or advisory services to the bank.

- Any conflict of interest (for board members) in matters presented to the board must be disclosed, and members with conflicting interests must abstain from participating in the discussion and voting on such matters. This must be documented in the minutes of the meeting.
- The Board of Directors does not interfere in the bank's daily operations.
- The bank is prohibited from providing financing, advance amounts, credit facilities, or guarantees of any kind to its board members, auditors, their spouses, children, or relatives up to the fourth degree, or any entity in which these parties or their spouses, children, or relatives have effective control or ownership.
- The appointment of the bank's representatives in banks and companies it invests in is a decision of the Board of Directors. Such appointments are for a one-time renewable term, and the board may change its representatives before the term ends.
- The Board of Directors adopts policies that ensure all transactions with related parties are conducted on an equal basis.
- The Chairman and Board members should not have any direct or indirect interest in any contracts, agreements, projects, or obligations executed by the bank or by others on its behalf unless authorized by the General Assembly, and in accordance with the laws and regulations. These authorizations must be renewed annually for long-term contracts.
- The Chairman and Board members must refrain from participating in activities that compete with or conflict with the interests of the bank.
- This policy is an integral part of the bank's employee code of conduct, which has been communicated to all employees.

1. Conflict of Interest Cases

Conflict of Interest Related to Major Shareholders

All transactions and contracts with major shareholders and their relatives, who own 5% or more of the shares either directly or indirectly or who hold a controlling stake in any of its subsidiaries, are subject to the same conditions as transactions with third parties.
All transactions with major shareholders and their relatives, who own 5% or more of the company's shares directly or indirectly or hold a controlling stake in any of its subsidiaries, must be disclosed in accordance with applicable rules and regulations.

Conflict of Interest Related to the Board of Directors

- A member of the Board of Directors is prohibited from having any direct or indirect interest in any business or contract made on behalf of the bank, without prior authorization from the General Assembly, in accordance with the regulations set by the competent authority.

- A member of the Board of Directors must inform the board of any personal interest they have in any transactions or contracts conducted on behalf of the bank. This notification must be recorded in the meeting minutes, and the member with the interest is prohibited from participating in the vote on the decision made in this regard.

- The Chairman of the Board must inform the General Assembly, upon its convening, of any transactions or contracts in which any board member has a personal interest. This must be done after the board has verified that the board member's activities do not compete with the bank's business or with any of its operational sectors, in accordance with the regulations set by the competent authority. The verification of these activities must occur annually, and a special report from the legal auditor (external auditor) must accompany this notification.

- A member of the Board of Directors is prohibited from participating in any business that may compete with the bank or engage in any of the bank's operational sectors, unless authorized by the General Assembly in accordance with the regulations set by the competent authority.

- The board must consider the requirements for independence and potential conflicts of interest when appointing financial and legal advisors, as well as auditors.

Conflicts of Interest Related to Executive Management:

- The Board of Directors must be informed of any external business activities carried out by an executive, and prior approval from the board must be obtained. Disclosure should be made in accordance with relevant regulations and laws.
- If an executive or employee wishes to engage in such activities, they must present the matter to the authorized representative (managing director) for review, evaluation, and recommendation to the Board of Directors before taking appropriate action.

Conflicts of Interest Related to External and Internal Auditors and Consultants

- The external auditors of the company must be independent.
- The independence of the internal auditor must be maintained, and sufficient support should be provided for the internal audit process. The internal auditor should report functionally to the Audit Committee and administratively to the managing director.
- When appointing any financial or legal advisors or external auditors, the board must take into account potential conflicts of interest and comply with the regulations issued by regulatory authorities.

Conflicts of Interest Related to Other Stakeholders:

- All transactions and contracts with suppliers, customers, or any of their subsidiaries are subject to the same terms as transactions with third parties, in terms of evaluation, fairness, implementation, and disclosure or reporting.

Gifts and Hospitality:

- Gifts, hospitality, or any similar items include, but are not limited to, the following:
    - Acceptance of gifts or hospitality that may influence the judgment of an employee.
    - Any request or encouragement of customers and/or suppliers to offer gifts or services, regardless of their value.
    - Requesting or accepting any allowances, advances, gifts, or services of a moral nature, except for promotional materials not exceeding 20,000 dinars from suppliers, customers, or competitors, by the employee or any of their first-degree relatives, provided they present themselves as such.

Trade Discounts:

- An employee may not accept discounts on personal purchases from suppliers approved by the bank or from the bank's customers, if these discounts differ from the discounts offered to regular customers, according to the policy followed by the suppliers or customers.

Relationship with Suppliers:

- No employee should benefit directly or indirectly from their position at the bank in entering into commercial transactions with suppliers approved by the bank.
- Any employee dealing with an institution working, or seeking to work, with the bank or providing consulting services to the bank must not:
    - Have an interest in a competitor of the bank or in any institution seeking business with the bank.
    - Have a direct or indirect interest in transactions with the bank.
    - Provide information services or equipment, either directly or through resale, in a manner that could cast doubt on the integrity and objectivity of the bank.

Ownership:

- Employee participation in any decision made by the bank, directly or indirectly, benefiting partnerships, limited liability companies, or private companies, owned by the employee or their family members, relatives up to the third degree, or close friends, with ownership exceeding 5% of the company's capital or being a board member of such companies.

Confidentiality of Information:

- Employees must maintain the confidentiality of the bank’s and clients' secrets, including technical and financial information related to the bank’s operations, and any information the bank considers private or restricted from the public. Confidential information includes customer records and transactions with the bank, or any related information about employees or third parties, accessed through the employee’s position.
- Employees may, in accordance with the law, provide confidential information to third parties, such as when requested by judicial or security authorities regarding economic crimes or other cases, provided that legal counsel is consulted in advance.

- Employees should not engage in trading bank shares or any other institution's shares based on the use of internal, non-public confidential information, for personal or third-party gain.

Examples of Prohibited Behaviors in this Regard:

- Selling, using, disclosing, or publishing confidential information to others.
- Using the bank’s confidential information intentionally for personal use or to divert business opportunities from the bank to personal interests.

Other Issues:

- Representing the bank in the boards of directors of any joint-stock companies where the employee has direct or indirect ownership, or a direct or indirect management relationship.
- Participating in credit decisions that provide personal, financial, or social benefits.
- Engaging in sales or purchases with clients or suppliers for commercial purposes.

Penalty Provisions:

- If a breach of this policy is discovered by any employee, the committee will study the case, determine the responsibility of all parties, and may recommend disciplinary actions or refer the case to the Audit Committee, depending on the circumstances.
- The severity of the penalty will be proportional to the damage caused by the violation, and the committee is responsible for holding the employee accountable in accordance with the internal regulations and the bank’s approved penalties list.