GOVERNANCE GUIDE

Cham Bank
Corporate Governance

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Cham Bank Governance Guide

Introduction:

Governance is considered one of the most important requirements for effective management in companies and institutions across various countries of the world, and one of the mechanisms of sound management practices. Accordingly, the importance of governance in the Bank stems from the fact that it provides both the Board and the Executive Management with appropriate incentives to achieve objectives that serve the Bank's interest, facilitates the establishment of an effective oversight process, and thus helps the Bank utilize its resources.

Since good and distinguished governance is what provides the Board of Directors and the Executive Management of the Bank with sound and appropriate tools and means to achieve strategic objectives, ensures the creation of an effective control environment, and thus helps the Bank utilize its resources efficiently with competent banking management and optimal employment thereof, it has been among our objectives to prepare a governance guide that provides a foundation and rules for developing future institutional performance with the aim of supporting and enhancing confidence in the Bank as an investment vehicle for depositors' and shareholders' funds on the one hand, and enabling it to contribute efficiently and successfully to banking work in Syria, which in turn is considered a fundamental pillar of economic and social development on the other hand.

This Guide has been prepared in conformity and compatibility with the instructions of both the Syrian Securities and Exchange Commission and the Monetary and Credit Council, and in light of the principles of "Enhancing Corporate Governance for Banking Organizations" issued by the Basel Committee for Banking Supervision in February 2006, based on the "Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) offering only Islamic Financial Services" issued by the Islamic Financial Services Board in December 2005, the principles of the Organization for Economic Cooperation and Development (OECD) in the field of governance issued in 2004, and the principles of governance in government-owned institutions issued by the Organization in 2005, and in line with sound banking practices.

Article One: General Principles of Governance

1. Cham Bank applies this Guide to Cham Bank and its subsidiaries.
2. The Bank shall publish the Governance Guide such that an updated copy is available on its website and to the public upon request.
3. The Bank shall, within its annual report, disclose to the public the extent of the Bank's management commitment to the provisions of the Guide. The report shall include a statement of the extent of the Bank's management commitment to implementing each of its provisions, mentioning the reasons for non-compliance with any provision not implemented, and a statement of the alternative measures taken to comply with these provisions.
4. Annex No. (1) sets out the list of Syrian legislations issued to date that fall within the scope of application of this Guide.

Article Two: Definitions

- **The Bank:** Cham Bank – Damascus – Syria.
- **The Board:** The Board of Directors of Cham Bank.
- **Governance:** The Organization for Economic Cooperation and Development (OECD) has defined governance as the set of relationships between the management of the institution, its Board of Directors, its shareholders, and other parties with an interest in the institution (stakeholders). It also clarifies the mechanism through which the institution's objectives and the means to achieve and monitor those objectives are determined. Accordingly, good governance is what provides both the Board and the Executive Management with appropriate incentives to reach objectives that serve the institution's interest, facilitates an effective oversight process, and thus helps utilize its resources efficiently.
- **Risk Management:** A systematic process of identifying, measuring, and assessing the risks facing the business according to their probability of occurrence and the harm they may cause, determining the elements that the Bank can bear, avoid, control, or limit the occurrence of (or any combination of the four), determining responsibility for addressing them, ensuring the continuity of operations, and submitting periodic and immediate reports to the concerned party regarding material problems.
- **Related Parties:** Parties are considered related in the following cases:
    1. Members of the Board of Directors of the Bank or the parent company or any of its subsidiaries, sister, or associate companies, external auditors, Executive Management, Bank consultants, or relatives of the aforementioned up to the fourth degree.
    2. Any natural person or legal entity that directly or indirectly owns a significant interest in the Bank or the parent company or any of its subsidiaries, sister, or associate companies, and relatives of the natural person up to the fourth degree.
    3. The parent institution or any sister, subsidiary, or associate institutions of the Bank.
- **Executive Management:** The Chief Executive Officer of the Bank and his deputies and assistants, senior managers and their deputies and assistants, and heads of executive units.
- **Significant Interest:** A shareholder or one of his relatives up to the fourth degree owning (5% or more of the capital).
- **Control (Dominance):** The ability to control the financial and operational policies for the purpose of obtaining benefits from the Bank's activities.
- **Significant Influence:** The ability to participate in setting financial and operational policies for the purpose of obtaining benefits from the Bank's activities.
- **Subsidiary:** A company in which the Bank directly or indirectly owns a share of more than 50% of its capital, or the Bank has the ability to control the company.
- **Associate Company:** A company in which the Bank directly or indirectly owns no less than (20% of its capital) or has the ability to exercise significant influence over it.
- **Sister Company:** A company is considered a sister to another company if both are subsidiaries of the same company.
- **Strategic Plan:** The design and drawing of long-term policies to achieve the Bank's goals. These policies may relate to products and services, or may relate to the acquisition process versus organic growth, markets, and natural resources, particularly capital and personnel. The strategy reflects the priorities of resource utilization determined for the

Bank, and defines the institution's steps towards fulfilling its purposes and achieving its goals.

- **Business Plans:** Plans or work programs for all parts of the enterprise (at various levels) to lay out a detailed roadmap to achieve its strategy. To the extent possible, these plans include objectives and specific timetables, with objectives defined quantitatively, although quantitative definition does not necessarily require expression in monetary amounts.
- **Compliance Monitoring:** Ensuring that the Bank and its internal policies adhere to all laws, regulations, instructions, orders, codes of conduct, standards, and sound banking practices issued by local and international regulatory authorities; determining, evaluating, providing advice and guidance, monitoring, and submitting reports to the Board of Directors regarding the extent of compliance at the Bank.
- **Member:** A member of the Board of Directors (whether in his personal capacity or as a representative of a legal entity).
- **Executive Member:** A Board member assigned an executive role in the Bank.
- **Non-Executive Member:** A Board member who is not dedicated to managing the Bank's business, does not receive a salary from it, does not interfere in the Bank's daily management, and is not assigned any executive role in the Bank.
- **Independent Members:** An independent member is defined as a member (whether in his personal capacity or as a representative of a legal entity) who has no relationship with the Bank other than his membership in the Board of Directors. The minimum requirements that must be met by an independent member include the following:
    1. He must not be related by kinship up to the fourth degree to any executive manager or any Board member of the Bank or any institution in its group (parent – subsidiary – sister – associate).
    2. He or any of his relatives up to the fourth degree must not have been a partner of the external auditor of the company during the three years preceding the date of his candidacy for Board membership.
    3. He must not receive from the Bank any salary or financial amount other than what he receives for his Board membership or dividends he receives as a shareholder.
    4. He must not have worked as an executive manager in the Bank or any institution in its group (parent – subsidiary – sister – associate) during the three years preceding the date of his candidacy for Board membership.
    5. He must not be a Board member, partner, or major shareholder (owning a significant interest) in a company with which the Bank deals, except for transactions arising from services and/or business provided by the Bank to its customers, governed by the same terms applicable to similar transactions with any party without preferential conditions, and he must not be a Board member in any institution in its group (parent – subsidiary – sister – associate).
    6. His shareholding must not constitute a significant interest in the Bank's capital or in any institution in its group, or he must not be related to another major shareholder. This relationship means kinship up to the fourth degree or direct or indirect commitment to act according to the directives or instructions of the major shareholder.
    7. He must not be elected for more than two terms.

- **Conflict of Interest:** The situation or state in which the objectivity and independence of an employee's or (Board member's) decision is affected by a personal material or moral interest that concerns him personally or concerns one of his relatives, or when his performance is affected by direct or indirect personal considerations or by his knowledge of information related to the decision. Examples include but are not limited to: misuse of company assets or conducting transactions with related parties, matters related to financial and non-financial statements, nomination of Board members, determination of key executive positions, determination of Board members' remuneration, and others.
- **Code of Ethics:** A set of standards and procedures that must be adhered to in order to define the professional conduct of the Bank's employees. The Code must include the possibility of conflicts of interest.
- **Material Events:** Non-recurring or emergency events that the Bank may face, which typically require rapid discussions by the Board of Directors and the Bank's senior Executive Management to study the event before announcing it.

Article Three: General Provisions

1. The responsibility for managing the Bank falls primarily and fundamentally on the members of the Board of Directors individually and on the members of the Board of Directors collectively and jointly. The Board bears all responsibilities related to the Bank's operations, its financial soundness, ensuring the fulfillment of the requirements of the Central Bank of Syria, and the interests of shareholders, depositors, creditors, employees, and other related parties, and ensuring that the Bank is managed prudently within the framework of applicable laws, instructions, and the Bank's internal policies.
2. The formation of committees or delegation of authority to the Executive Management or any other party (OUTSOURCING) to carry out some of the Board's work does not exempt it from responsibility. This responsibility is determined and dealt with in accordance with the provisions of the Companies Law.
3. The Board shall entrench the principle of each Board member's commitment to the Bank and his representation of all shareholders. He must commit to acting in the interest of the Bank as a whole, not the interest of a specific group only.
4. The Board of Directors is responsible for protecting the Bank from illegal or inappropriate actions by controlling or major shareholders that have negative effects on the interest of the Bank or other shareholders.
5. Board members must avoid participating in decision-making when there is any conflict of interest that prevents them from performing their role in protecting the Bank's interest properly.
6. Board members must understand their supervisory role and are obligated to exercise the duty of care and loyalty towards the Bank, its shareholders, other stakeholders, and society at large.
7. Board members must dedicate sufficient attention and time to carry out their duties and assume their responsibilities effectively.
8. Board members must contribute effectively to the performance of the Board's functions and must have the ability to provide special expertise to the Board.

Article Four: Board Composition

1. **Board Size**

a. The number of Board members is sufficient and commensurate with the size of the Bank's business, enabling this number to possess experience and knowledge in various fields and to distribute supervision and management functions among its members effectively. At the same time, the number must not be so large as to prevent efficient decision-making.
b. Consideration shall be given to ensuring diversity in practical and professional experience and specialized skills in the Board's composition, and that members are knowledgeable about relevant laws and regulations and the rights and duties of the Board of Directors.

2. **Election**
   a. The Board of Directors shall be elected by the General Assembly in accordance with applicable legislation, laws, and regulations. A presentation on each candidate for Board membership shall be provided at the time of election to facilitate the General Assembly's task in electing the best members to represent the Bank.
   b. The term of Board membership shall be four years (maximum), and any member may be re-elected for subsequent terms, provided that re-election occurs at least every two years, as determined by the General Assembly in accordance with applicable legislation, laws, and regulations.
3. **Board Independence**
   a. The majority of Board members must be non-executive members, with the aim of ensuring objectivity and accountability in the decision-making process, mitigating conflicts of interest that may arise between strategic decision-making and daily operational management, and ensuring the existence of adequate work and oversight systems to protect the Bank's interests.
   b. The number of independent Board members must not be less than one-third of the Board members.
   c. There must be separation between the position of Chairman of the Board (or his deputy) and the position of Chief Executive Officer. There must be no kinship up to the fourth degree between the Chairman (or his deputy) and the Chief Executive Officer. The Chairman (and his deputy) must be non-executive members of the Board.

Article Five: Role of the Chairman of the Board

The responsibilities of the Chairman of the Board must be separated from the responsibilities of the Chief Executive Officer by virtue of written instructions approved by the Board and reviewed whenever necessary. The Chairman shall undertake all of the following:

1. Establishing constructive relationships between the Board and the Bank's Executive Management.
2. Creating a culture – during Board meetings – that encourages constructive criticism on issues where there is a divergence of views among members, and encourages discussions and voting on those issues.
3. Ensuring that adequate information reaches both Board members and shareholders in a timely manner.
4. Ensuring the availability of high standards of sound governance at the Bank.

Article Six: Organization of Board Affairs

1. The number of regular Board meetings must not be less than six meetings per year. Meetings shall be held at the Bank's headquarters or any other location, whether through communication means or personal attendance at the meeting.
2. Each non-independent Board member must personally attend at least four meetings per year. An independent member must attend at least 75% of Board meetings in the year. Any member who misses attending this quorum of meetings shall automatically lose membership by a decision of the Board. Independent Board members must attend all meetings at which important decisions that materially affect the Bank's interest will be taken.
3. A Board member may not delegate another person who is not a Board member. A member may not hold more than one proxy, and no Board member may act as proxy for more than one proxy in a year.
4. In order to ensure the comprehensiveness of topics presented at Board meetings and to avoid the Board's participation or interference in the daily operations management of the Bank, all banking operations that fall within the Board's powers and require its approval must be clarified in writing. The Executive Management must also initiate proposals for topics it deems important on the agenda of each meeting, with the Chairman determining the priorities for presenting these topics.
5. Board members shall be provided with the Board agenda supported by necessary documents and information a sufficient period before Board meetings to enable them to study the presented topics and take appropriate decisions.
6. The responsibilities of Board members must be defined and clear in line with relevant legislation. The Bank shall provide each Board member upon election with a letter clarifying the member's rights, responsibilities, and duties.
7. Board members must be constantly aware of developments within both the Bank and the local and international banking sectors. The Bank's management shall provide members with an appropriate summary of the Bank's business upon appointment, during the membership period, and upon request.
8. Board members and its committees must have direct access to the Executive Management through the committees, the Chairman, or the Managing Director. The Board or its committees – if necessary – shall have the authority to seek external expertise to assist them in performing their assigned tasks to the fullest extent.
9. The Board shall officially and in writing appoint and define the function and duties of the Board Secretary (Rapporteur) in line with the level of responsibilities assigned to him. Any decision to appoint or dismiss him shall be taken by the Board by a two-thirds majority.
10. The Board Secretary shall prepare and document meeting minutes, member voting, record matters discussed and conclusions reached, and the party responsible for implementing those decisions.
11. The Board Secretary shall ensure that Board members follow the procedures established by the Board, ensure the exchange of information among Board members, its committees, the Executive Management, and any other party, and notify meeting dates a sufficient period in advance.

12. Any potential conflict of interest (regarding Board members) in matters presented before the Board must be disclosed, and the member must refrain from participating in discussions and voting on them, which must be recorded in the meeting minutes.

Article Seven: Board Activities

In addition to the duties and tasks imposed by laws and instructions regulating the work of banks, the Board's exercise of its various activities shall include observance of the following:

1. **Board Activities: Appointments and Succession**
   a. The Board's policy must include appointing a Chief Executive Officer who possesses integrity, technical competence, and banking experience. The Board shall have the right to monitor the proper conduct of work and the right to dismiss and replace him when necessary.
   b. The Board's approval must be obtained based on the CEO's recommendation when appointing certain executive managers such as the Chief Financial Officer (CFO).
   c. The Board, based on the recommendation of the Audit Committee, shall:
   1. Appoint an Internal Audit Manager and ensure that the required expertise is available.
   2. Appoint a Sharia Internal Control Department Manager and ensure that the required expertise is available.
   3. Nominate an independent external auditor with high competence and efficiency, contract with him, and determine his fees after the approval of the General Assembly, in accordance with the Monetary and Credit Council Decision No. 232/M.N/B/4 dated 18/10/2006 and its amendments, and in accordance with the Auditors Accreditation System Decision No. /3944/ dated 28/8/2006 issued by the Syrian Securities and Exchange Commission.
   d. The Board shall approve succession plans for the Bank's executive managers, including the qualifications and requirements that must be met by the holders of these positions, whenever necessary.
2. **Board Activities: Planning, Control and Oversight Systems, Code of Business Ethics**
   a. The Board shall draw up and approve objectives, plans, and strategies periodically, and the Bank's important policies whenever needed. It shall also exercise direction and oversight over its Executive Management, which is responsible for daily operations, and hold it accountable. The Board shall also approve internal control and oversight systems – particularly the Audit Charter – and ensure the effectiveness of these systems.
   b. Ensuring the Bank's adherence to the strategic plan, policies, and procedures approved or required under laws and instructions issued pursuant thereto, and ensuring that the Executive Management reviews performance achievements in accordance with business plans and then takes corrective measures where necessary, in addition to ensuring that all of the Bank's risks have been properly managed.
   c. Approving policies, procedures, and appropriate frameworks to ensure compliance with the provisions and principles of Islamic Sharia in all aspects of the Islamic Bank's activities and operations, and the products and services it offers.
   d. Approving appropriate policies and procedures to ensure the protection of depositors' rights, specifically investment account holders.
   e. The Board of Directors shall approve the organizational structure proposed by the Bank, showing the administrative hierarchy (including Board committees and Executive Management). In this regard, the Board shall take into consideration the following:

1. Adopting and developing internal regulations and systems related to the Bank's work, including determining tasks, competencies, duties, responsibilities, relationships, and reporting lines between different administrative levels, including Board members, the Chief Executive Officer, executive departments and divisions, as well as other control bodies and audit units.
2. Ratifying the policy for delegating and executing tasks assigned to the Executive Management. Every delegation issued by the Board of Directors or its committees must be specific in its subject matter and time duration.

f. The Board shall ensure that the Bank enjoys high integrity in conducting its business and shall work to entrench the "Tone at the Top" policy through the availability of policies and a Code of Business Ethics that include a definition of conflict of interest and transactions conducted by Bank employees for their personal benefit based on insider information about the Bank obtained/accessed as a result of the powers granted to them. These policies and the Code of Business Ethics shall be circulated to all Bank employees and Board members, their approval obtained, and published to the public.

g. The Board, in order to increase its effectiveness, shall form committees emerging from it as soon as possible – according to the Bank's needs – with specific objectives, delegated for optimal employment, with their responsibilities determined by the Board for a specific period, in accordance with a Charter that clarifies all of the above and how the Board oversees them. These committees shall submit periodic reports to the Board as a whole, and the principle of transparency shall be observed when appointing Board committee members.

h. If the Bank is part of a banking institution, the following two points shall be observed:
    1. The Board of Directors of the parent banking institution shall determine the optimal governance structure that achieves effective and adequate oversight over the banking group. In the context of implementing their responsibilities for sound governance, the Board of the parent banking institution must be aware of significant risks and issues that may affect the group. Therefore, it must exercise full oversight over the group and its subsidiaries.
    2. The Board of Directors of the subsidiary banking institution bears the responsibilities of following sound governance practices for the bank, including the Bank's soundness, protecting depositors' interests, and ensuring the Bank's compliance with all laws, regulations, and regulatory standards applicable to it.

i. If the Bank conducts activities or operations in places that impede transparency or uses structures that impede it, the Board of Directors must understand the Bank's operational structure and set appropriate limits for the size of operations permitted in these areas or the use of these instruments. It must also ensure that the Executive Management establishes policies to identify and manage all types of risks associated with this type of instrument or activity, and disclose them to auditors and the regulatory authority.

3. **Board Activities: Self-Assessment and Performance Evaluation**

a. The Board shall periodically (at least once a year) – through the Nominations and Remuneration Committee:
    - Evaluate the performance of the Board as a whole.
    - Evaluate the performance of the Chief Executive Officer.
    - Evaluate the performance of the Board's committees.

b. The Board shall include in the Bank's annual report a report on the adequacy of internal control and oversight systems related to the financial reporting mechanism.
c. The Board, based on periodic reports submitted to it by the Executive Management, the Internal Auditor, the External Auditor, the Internal Sharia Controller, and those sent to it by the Sharia Supervisory Board, shall review the Bank's performance, evaluate its operations and sound management, address deviations and violations, analyze their causes and those responsible, hold them accountable, and issue necessary instructions to address them and prevent their recurrence.
d. The Board must review transactions with related parties that do not fall within the Bank's ordinary business to study them in preparation for presenting them to the General Assembly.
e. Approving quarterly and annual statements.
f. The Board must request information on risk measurement and the Risk Profile in the Bank, with the aim of analyzing and discussing risk data and statistics (qualitative and quantitative) in the Bank regularly at each Board meeting.
g. The Board approves and monitors the compliance policy. Preparing, developing, and ensuring its implementation in the Bank shall be within the powers of the party responsible for compliance monitoring.
h. Studying reports and recommendations of the Executive Management regarding developments and ways to enhance the Bank's practices in the field of disclosure or other areas.

Chapter Two: Committees Emerging from the Board of Directors

Article Eight: General Provisions

1. The Board of Directors shall form committees emerging from it and delegate them with powers for a specific period to carry out assigned tasks and submit periodic reports to the Board of Directors.
2. These committees bear responsibility for their actions before the Board of Directors. This does not exempt the Board of Directors from its responsibility for the actions of these committees.
3. The Board of Directors shall form at least the Governance Committee, the Audit Committee, the Nominations and Remuneration Committee, and the Risk Management Committee, and any other committees it deems necessary for the Bank's work. The Bank may merge the Governance Committee with the Nominations and Remuneration Committee.
4. Committee meeting minutes shall be recorded and classified.

Article Nine: Audit Committee

A. **Committee Objectives:** Reviewing financial and Sharia reports, control and oversight systems, and the scope, results, and adequacy of internal, external, and Sharia auditing, and reviewing accounting and Sharia issues with material impact on financial statements.

B. **Committee Formation and Meeting Frequency**

1. The Audit Committee shall consist of non-executive Board members, with no fewer than three members. It shall not include the Chairman of the Board.

2. The majority of the Committee members and the Committee Chairman shall be independent members.
3. The Committee must include at least one member with academic qualifications and/or practical experience in accounting and finance. The Committee has the right to seek external expertise after the Board of Directors' approval.
4. The Committee shall hold at least four meetings per year, once every three months, and minutes of these meetings shall be properly recorded.
5. Members must understand the relevant provisions and principles of Islamic Sharia and be familiar with Islamic accounting standards.

C. **Committee Powers and Duties**

1. The Audit Committee shall have the authority to obtain any information in the course of exercising its work. The Committee may also invite any person with expertise or specialization to attend meetings for the benefit of their opinion, and invite any Board member or Executive Management member or the Internal Sharia Control Manager to attend its meetings, or request a meeting with the Sharia Board or one of its members. The Internal Audit Manager shall be invited to attend Committee meetings.
2. Reviewing annual and periodic financial statements before presenting them to the Board of Directors, making recommendations thereon to the Board, and following up on accounting issues with material impact on financial statements, with the aim of ensuring the fairness and transparency of financial reports.
3. The Audit Committee shall evaluate the effectiveness and adequacy of internal control and oversight systems. The Committee's responsibility includes, among other things:
    a. Evaluating the effectiveness and adequacy of the internal audit function and ensuring compliance with applicable instructions issued by relevant authorities.
    b. Evaluating the effectiveness and adequacy of the scope of internal audit programs.
    c. Reviewing the results of internal audit reports and recommending corrective measures to management, and ensuring that necessary measures have been taken regarding them.
    d. Recommending the appointment of the Internal Audit Manager, determining his compensation, evaluating his performance, and his transfer or dismissal.
    e. Reviewing and approving internal audit plans proposed by the Internal Auditor.
4. The Committee shall have direct communication with the External Auditor and meet with him without management's presence at least once annually. The Committee's responsibility in this regard includes, among other things:
    a. Recommending to the Board of Directors regarding the appointment and dismissal of the External Auditor, determining his fees, and evaluating his performance.
    b. Evaluating the objectivity and independence of the External Auditor.
    c. Reviewing and accepting the Engagement Letter.

    d. Approving the possibility of the External Auditor providing services other than periodic auditing, and ensuring this does not affect the External Auditor's independent opinion.
    e. Reviewing the results of internal audit reports and regulatory authority reports and ensuring that corrective measures are taken appropriately and in a timely manner.
5. Evaluating the effectiveness and adequacy of the Internal Sharia Control function in ensuring compliance with the provisions and principles of Islamic Sharia, specifically the fatwas and decisions issued by the Sharia Supervisory Board. The Committee's responsibility includes, among other things:
    a. Evaluating the effectiveness and adequacy of the scope and programs of internal Sharia control.
    b. Reviewing reports prepared by the Internal Sharia Control Department and the Sharia Supervisory Board to ensure that necessary measures have been taken regarding them.
    c. Facilitating the task of the Internal Sharia Control Department.
    d. Reviewing and approving audit plans proposed by the Internal Sharia Controller.
6. Reviewing the scope, results, and adequacy of external Sharia control (the Sharia Supervisory Board). The Committee's responsibility includes, among other things:
    a. Facilitating the task of the Sharia Supervisory Board.
    b. Recommending to the Board regarding the appointment and dismissal of Board members, determining their compensation, and evaluating their performance.
    c. Reviewing and accepting the engagement letter.
    d. Approving the possibility of the Sharia Supervisory Board providing services other than those related to fatwas and Sharia control, and ensuring this does not affect the Board's independent opinion.
    e. Reviewing reports prepared by the Sharia Supervisory Board to ensure that necessary measures have been taken regarding them.
7. The Committee shall communicate and coordinate with the Sharia Supervisory Board and the Governance Committee to ensure that reports on compliance with the provisions and principles of Islamic Sharia are prepared in a timely and adequate manner.
8. The Committee shall review transactions with related parties and inform the Board of Directors thereof.
9. The Committee shall review the extent of compliance with laws and regulations, ensure compliance with the provisions and principles of Islamic Sharia, and the extent of adherence to the Bank's policies and internal system. It shall also ensure the extent of compliance with accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards (IFRS) in areas not covered by AAOIFI standards, in a manner that does not conflict with the provisions and principles of Islamic Sharia and the Sharia standards issued by AAOIFI, which are adopted by the Monetary and Credit Council.

10. The Committee shall hold periodic meetings with the External Auditor and the Sharia Supervisory Board at least once during the year, and at least twice with the Internal Auditor and the Internal Sharia Controller. The Internal Auditor, Internal Sharia Controller, and External Auditor have the right to request a meeting with the Committee when work necessity requires it.
11. The Committee shall raise to the Sharia Supervisory Board the Sharia observations of the Sharia Control Department that it cannot decide upon and follow up on due to the novelty of their subject matter.

Article Ten: Nominations and Remuneration Committee

A. **Committee Objectives:** Monitoring the appointment and renewal of Board members, the Chief Executive Officer, and Sharia Supervisory Board members; evaluating the effectiveness of the Board as a whole and the effectiveness of each Board member independently; evaluating the performance of the Chief Executive Officer and executive managers; evaluating the effectiveness of the Sharia Supervisory Board as a whole and each member individually; ensuring transparency of policies, salaries, remunerations, and compensation of Board members, the Chief Executive Officer, and executive managers; ensuring these policies align with the Bank's objectives and strategy; and setting policies for remunerations and compensation of the Sharia Supervisory Board commensurate with their tasks and responsibilities.

B. **Committee Formation and Meeting Frequency**

1. The Nominations Committee shall consist of at least three members, all non-executive.
2. The Committee Chairman and the majority of members shall be independent members.
3. To avoid conflict of interest, a Committee member shall not participate in discussions and decisions relating to himself.
4. The Committee shall hold at least one meeting per year, and minutes of these meetings shall be properly recorded.

C. **Committee Powers and Duties**

1. Setting criteria and conditions (minimum) for experience, qualifications, and skills required for Board membership and for holding the position of Chief Executive Officer, including determining the time required to be dedicated by the member to the Board's work. The Board of Directors shall approve the established criteria and conditions.
2. Recommending nomination and re-nomination for Board membership, Board committees, the Sharia Supervisory Board, and the position of Chief Executive Officer, and revocation of membership, taking into account applicable laws and decisions, considering the number of attendances, quality, and effectiveness of members' participation in Board meetings and their performance of duties and responsibilities. The Committee shall carry out this task before notification or submission of a request for approval from the Central Bank of Syria or the Monetary and Credit Council (as the case may be).
3. Defining executive members, non-executive members, and independent members, and ensuring the independence of independent members in accordance with the standards set in this Guide, and ensuring that the Board's composition is commensurate with the Bank's size and the complexity of its operations.

4. Adopting objective criteria (Key Performance Indicators – KPIs) to evaluate the effectiveness of the Board as a whole, each Board member's contribution, each of its committees, and the performance of the Chief Executive Officer and executive managers. When evaluating the performance of the Board as a whole and the Executive Management, the performance of similar institutions shall be taken into account, as well as the extent of compliance with regulatory requirements. The Board of Directors shall approve the evaluation criteria.
5. Ensuring that Board members and the Sharia Supervisory Board receive continuous training and qualification through programs designed for this purpose to keep pace with modern developments in the financial services industry. The Committee shall provide information on certain important issues in the Bank to Board members and the Sharia Supervisory Board upon request.
6. Determining conditions and criteria for appointing executive managers, evaluating their performance, and the succession plan.
7. Recommending to the Board of Directors the cancellation of appointment (dismissal) of any executive manager if it is proven that he is ineffective and negligent in performing his duties and responsibilities.
8. Conducting an annual review of the conditions required for Board membership and the Chief Executive Officer to ensure compliance with the provisions of applicable laws, regulations, and instructions.
9. Ensuring the existence of clear policies for remunerations, compensation, salaries, and any other benefits for Board members, the Chief Executive Officer, and executive managers that are commensurate with their experience and qualifications. These shall be approved by the Board of Directors and reviewed annually by the Committee. There must be a balance in setting remunerations, compensation, and salaries such that they are motivating to attract qualified persons and not exaggerated. The salary and remuneration scale must be within the range determined by the Bank's policy and not linked to short-term performance in order to avoid encouraging excessive risk-taking.
10. Meeting with the Human Resources Manager at least once during the year to ensure the existence, adequacy, and fairness of the recruitment and evaluation mechanism for employees, the policy for granting remunerations and salaries, and the continuous training and qualification policy, in a manner that ensures attracting qualified persons to work at the Bank and retaining them.
11. Proposing the remunerations of Sharia Supervisory Board members to the Board of Directors for approval, before submitting a request for the approval of the Monetary and Credit Council on the remunerations and compensation of Sharia Supervisory Board members.

Article Eleven: Risk Management Committee

A. **Committee Objectives:** Setting risk policy in line with the Bank's capacity and risk tolerance, and reviewing the Executive Management's performance in managing credit, market, operational, non-compliance, and other risks.

B. **Committee Formation and Meeting Frequency**

1. The Committee shall consist of at least three members, with no more than one executive member.

2. The Committee Chairman shall be an independent member.
3. The Committee shall hold at least four meetings per year, once every three months, and submit its reports to the Board of Directors.

C. **Committee Powers and Duties**

1. The Committee shall review risk management policies before their approval by the Board of Directors and ensure the implementation of these policies.
2. Ensuring the availability of adequate resources and systems for risk management, and ensuring the independence of risk management staff from activities that result in the Bank bearing risks.
3. Reviewing the organizational structure of risk management and making recommendations thereon before approval by the Board of Directors.
4. Reviewing periodic reports on the nature and size of risks to which the Bank is exposed and risk management activities.
5. The Committee shall submit periodic reports to the Board of Directors and provide statistics regarding the risks to which the Bank is exposed and changes and developments in risk management.
6. Reviewing and expressing opinions before the Board of Directors on risk ceilings and exceptional cases that arise.
7. Monitoring the extent of compliance in risk management with the standards set by the Basel Committee related to credit risk, market risk, and operational risk, and the standards issued by the Islamic Financial Services Board related to risk management.
8. The Committee shall hold periodic meetings with the Risk Management Department to discuss and evaluate the risks to which the Bank is exposed, the adequacy of methods for addressing them, and to provide recommendations thereon.
9. When using participatory and speculative formulas, the Committee's responsibility extends to ensuring:
    - The existence of a periodic review process for the performance of these assets.
    - The development of exit strategies for these operations.
    - Informing the Board of Directors regularly of any material progress in these operations.

Article Twelve: Governance Committee

A. **Committee Objectives:** Setting the governance framework and guide, monitoring its implementation, and amending it where necessary.

B. **Committee Formation and Meeting Frequency**

- The Governance Committee shall consist of at least three non-executive members and shall be chaired by the Chairman of the Board. The Committee must include one of the independent members of the Audit Committee.
- Committee members must understand the relevant provisions and principles of Islamic Sharia and their applications to banking products and services, and be familiar with Islamic accounting standards and the requirements of the Islamic Financial Services Board.

C. **Committee Powers and Duties:** The Governance Committee shall:

- Supervise the preparation, implementation, review, and updating of the Governance Guide when necessary.

- Coordinate with the Sharia Supervisory Board and the Audit Committee to ensure compliance with the Guide.
- Focus on the specificity of Islamic banking, including protecting the interests of investment account holders.
- Provide the Board of Directors with reports and recommendations at least annually based on the results reached through the Committee's work.
- Ensure the adoption and implementation of a sound investment strategy that aligns with the risks and expected returns of investment account holders.
- Ensure adequate disclosure at the appropriate time and in the appropriate manner, and ensure the execution of investment contracts in a timely manner.
- Monitor the use of the profit equalization reserve and investment risk reserve and provide appropriate recommendations to the Board of Directors on how to use them, in compliance with Syrian decrees, laws, and legislation.
- The Committee shall hold at least one meeting every six months.

Chapter Three: Control and Oversight Environment

Article Thirteen: General Provisions

Cham Bank shall establish internal control systems covering all activities and departments of the Bank. The Bank's organizational structure shall observe the Four Eyes Principles:

- Segregation of duties.
- Dual examination.
- Dual control.
- Dual signature.

The independence and efficiency of audit functions, along with control and compliance functions, are of paramount importance for governance and sound management of banks. Therefore, the Board of Directors and Executive Management of the Bank should recognize the importance of these functions and benefit from them in providing independent assurance regarding the effectiveness and adequacy of internal control and oversight systems, as well as the extent of the contribution of various departments and units of the Bank to achieving its objectives and ensuring its soundness.

Article Fourteen: Internal Control and Oversight Systems

1. The internal control systems applied at the Bank shall be reviewed by the Internal Auditor and the External Auditor at least once annually.
2. The Bank shall provide appropriate procedures enabling its employees to report any potential violations confidentially and in a timely manner so that these violations can be followed up and appropriate measures taken. The Audit Committee shall supervise the implementation of these procedures.
3. The Audit Committee plays a major role in reviewing the Bank's control systems. Control is primarily the responsibility of the Bank's management. The control functions in the Bank, represented by internal control and internal audit, must be under the direct supervision of the Audit Committee. The Audit Committee also follows up on the performance and reports issued by the External Auditor on behalf of the Board of Directors. The composition and working system of the Audit Committee are addressed in the section on "Committees Emerging from the Board of Directors."

4. The Bank shall comply with the Monetary and Credit Council Decision No. 120/M.N/B/4 and its amendments regarding internal control system requirements for banks, specifically regarding:
    - Board of Directors.
    - Executive Management.
    - Internal control systems for identifying and measuring risk management.
    - Control systems.
    - Technological security.
    - Internal Audit Department.

Article Fifteen: Internal Audit

The effectiveness of the internal audit function in the Bank is enhanced through:

1. The Board of Directors and Executive Management recognizing the importance of the internal audit function and communicating and clarifying this importance to all Bank employees.
2. Benefiting, in an appropriate manner and at the appropriate time, from the results of internal audit work and taking appropriate corrective measures by management.
3. Ensuring the independence of the internal audit function.
4. Involving internal audit in evaluating the effectiveness of internal control procedures and making recommendations thereon.
5. The Bank shall comply with the Monetary and Credit Council Decision No. 123/M.N/B/4 and its amendments regarding internal audit requirements in banks, with respect to:
    - Scope, objectives, and tasks of the internal audit function.
    - Independence of the Internal Audit Department.
    - Audit system.
    - Integrity and objectivity of the internal audit function.
    - Professional competence.
    - Audit scope.
    - Internal audit procedures.
    - Responsibilities of the Internal Audit Department Manager.
    - Internal Audit Committee.
    - Outsourcing of internal control.

Article Sixteen: Sharia Control Department

- The importance of internal Sharia control stems from the specificity of Islamic banking, represented by the presence of the Sharia dimension in all aspects of work and activity. Giving the necessary importance to this function to review the Bank's compliance in all its operations and transactions with the provisions and principles of Islamic Sharia contributes to spreading a climate of trust among the public dealing with banks and warding off reputation risk.
- Internal Sharia control is an integral part of the internal control system and operates in accordance with the policies of the Islamic Bank. The scope of internal Sharia control work includes examining and evaluating the adequacy and effectiveness of the Sharia control system to determine whether the existing system (and the extent of compliance therewith) provides reasonable assurance that the management of the Islamic Bank has fulfilled its responsibilities towards the application of the provisions and principles of Islamic Sharia, as determined by the Sharia Supervisory Board at the Bank.

- The Sharia Control Department Manager shall submit Sharia control reports to both the Board of Directors/Audit Committee after observations and recommendations have been discussed with the appropriate administrative levels.
- The Internal Sharia Controller shall ensure coordination of internal Sharia control work to ensure coverage of all aspects of Sharia control and avoid duplication of efforts as much as possible.
- Sharia observations requiring a ruling shall be referred to the Sharia Supervisory Board.

To enhance the effectiveness of the Sharia control function, the Board of Directors must:

1. Establish an independent Internal Sharia Control Department.
2. Provide the Internal Sharia Control Department with adequate and qualified staff to carry out Sharia control work.
3. Ensure the independence of the internal Sharia control function, such that the Internal Sharia Control Department operates under the supervision of the Audit Committee. The independence of the Internal Sharia Control Department is represented by the independence of its work from the audited activities, objectivity and impartiality in its work, and not assigning it any executive tasks related to those activities and areas directly or indirectly to avoid potential conflicts of interest.
4. Prepare a guide clarifying the objectives, powers, and responsibilities of internal Sharia control in accordance with the objectives and principles of Islamic Sharia. This guide shall be approved by the Board of Directors, a copy provided to the Sharia Supervisory Board, and the guide reviewed periodically and approved by the Audit Committee in consultation with the Sharia Supervisory Board.
5. Benefiting, in an appropriate manner and at the appropriate time, from the results of internal Sharia control work and taking appropriate corrective measures by management.
6. Ensuring direct and regular communication for the Internal Sharia Controller with all administrative levels, and with the Sharia Supervisory Board, the Board of Directors, the Sharia Control Committee, the External Auditor, and the Internal Auditor. No limits shall be placed on the scope of work of internal Sharia controllers or restrictions on their access to any documents or records.
7. Seeking the opinion of the Sharia Supervisory Board and consulting with it regarding the appointment of the manager and staff of the Internal Sharia Control Department to ensure their positive orientation towards compliance with the provisions and principles of Islamic Sharia.

Article Seventeen: External Audit

The effectiveness of the external audit function is enhanced through:

1. Ensuring the External Auditor's compliance with professional standards and guidelines.
2. Ensuring that the External Auditor fully understands his duties towards the Bank in exercising due professional care.
3. Regular rotation of the External Auditor or the principal partner responsible for auditing the Bank. The Bank shall comply with the instructions of the Monetary and Credit Council regarding the regulation of the relationship with the External Auditor.

Article Eighteen: Risk Management
The Bank shall comply with the decisions of the Monetary and Credit Council regarding risk management, particularly decisions related to the following:

- Liquidity risk management standards.
- Credit risk management standards.
- Maximum limits permitted for banking risk concentrations.
- Instructions regarding operational risks.
- Return rate risks.
- Instructions regarding the Board of Directors' responsibility in risk management.

Article Nineteen: Compliance Function
The Board of Directors, upon the proposal of the Executive Management, shall form an independent Compliance Department/Unit. It may also be an independent department within the Risk Management Department. The Board shall adopt and monitor the compliance policy in line with applicable laws and regulations, particularly the decisions of the Central Bank of Syria and the decisions issued by the Bank's Sharia Supervisory Board.
General Framework for the Work of the Compliance Department/Unit:

- Preparing the compliance policy and reviewing it periodically, at least once a year.
- Establishing effective procedures for implementing the compliance policy for all of the Bank's laws and applicable instructions.
- Submitting periodic reports on the results of its work to the Audit Committee and sending a copy to the Executive Management.

Coordination shall be made within this department or unit between the tasks of the Internal Banking Controller appointed under the provisions of the Basic Monetary Law No. 23 of 2002, the tasks of the Anti-Money Laundering and Terrorist Financing Compliance Officer, and the rest of the compliance tasks, in a manner that ensures no duplication or conflict of tasks.

Article Twenty: Compliance with the Provisions and Principles of Islamic Sharia
Compliance with the provisions and principles of Islamic Sharia in the context of providing financial services is what distinguishes an Islamic bank from other banks. Without this compliance, it is not possible to attract investors and customers who wish to invest their funds and engage in ways that comply with the provisions and principles of Islamic Sharia. Accordingly, the Board of Directors shall observe the following:

1. Compliance in exercising all aspects of banking work with the provisions and principles of Islamic Sharia, specifically with the Sharia decisions and fatwas issued by the Bank's Sharia Supervisory Board. The responsibility for ensuring this compliance falls on the Bank's management.
2. Providing the Sharia Supervisory Board with all information, accurately and adequately and at the appropriate time, to assist it in performing its tasks of ensuring the Bank's compliance with the provisions of Islamic Sharia and forming an independent opinion in this regard.
3. Committing to obtain the opinion of the Sharia Supervisory Board on all contracts, agreements, transactions, policies, systems, mechanisms, and work programs and the provision of products and services, such that they are approved and controlled by the Sharia Supervisory Board before implementation and subject to its control after implementation. This includes investment policies, disposal of non-Sharia-compliant

income, calculation of Zakat, and charitable works, in coordination with the Board of Directors.

4. Preparing a guide for policies and procedures related to compliance with the provisions and principles of Islamic Sharia, containing the following:
    - The mechanism for presenting matters to the Board to obtain decisions thereon.
    - The working system of the Sharia Supervisory Board.
    - The mechanism for ensuring compliance with the Board's decisions.
5. Providing any person, upon request, with an explanation of any fatwa issued by the Bank's Sharia Supervisory Board. This explanation must be prepared in consultation with the members of the Sharia Supervisory Board.
6. Publishing the decisions and fatwas issued by the Bank's Sharia Supervisory Board on its website at least annually, and preferably informing customers of these decisions and fatwas as part of the customer service program.
7. Committing to the control standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), specifically regarding the components of the Sharia control system.

Regarding the Sharia Supervisory Board:

1. The Sharia Supervisory Board shall review and approve contracts, agreements, transactions, policies, systems, mechanisms, and work programs and the provision of products and services.
2. It shall review and approve the guide of policies and procedures for compliance with the provisions of Islamic Sharia.
3. In accordance with Legislative Decree No. 35 on the establishment of Islamic banks, the Sharia Supervisory Board at the Bank shall submit an annual report to the General Assembly of Shareholders showing the extent of the Bank's compliance with the provisions of Islamic Sharia for the period covered by the report, as well as its observations and recommendations. The Board's report shall be included in the Bank's annual report.
4. The Board has the right to seek an independent auditor (after the approval of the Commission), noting that all fees received by the Board are exclusively for fatwas and Sharia control.
5. The Sharia Supervisory Board shall, upon request, provide advice to parties providing services, such as auditors, lawyers, and consultants.
6. It shall ensure the adequacy and effectiveness of the internal Sharia control system and that it operates as intended.
7. The Sharia Supervisory Board shall provide advice and guidance to the Sharia Control Department regarding the scope of required control. It shall review the summary of the Sharia Control Department's reports and management's responses thereto to ensure compliance with the provisions and principles of Islamic Sharia.
8. The Sharia Supervisory Board shall coordinate with the Governance Committee and the Audit Committee regarding ensuring compliance with the provisions and principles of Islamic Sharia.
9. The Sharia Supervisory Board shall review all reports that include a review of compliance with the provisions and principles of Islamic Sharia, including reports of the Central Bank and the External Auditor, and management's responses to those reports, to ensure compliance with the provisions and principles of Islamic Sharia.

10. The Sharia Supervisory Board shall propose – in light of the need it assesses – the necessary Sharia training programs for the Bank's employees.
11. The Board has the right to full and unrestricted access to all records, documents, transactions, and information from all sources, including reference to consultants and Bank employees, without prejudice to the Banking Secrecy Law.
12. The Board has the right to seek external experts to provide legal and financial advice at the Bank's expense.
13. Board members must dedicate sufficient time to carry out fatwa and Sharia control tasks to the fullest extent.
14. The Bank shall comply with the Monetary and Credit Council's decision regarding the requirements for accepting Sharia Board members in Islamic banks and cases of withdrawal of acceptance.

Chapter Four: Disclosure and Transparency

Article Twenty-One: General Provisions

Disclosure and transparency constitute an essential element of good governance and thus market discipline. Good disclosure has several positive aspects with respect to both the Bank, on the one hand, as it leads to attracting capital, building confidence in the Bank, and enabling decision-makers to make sound decisions in business; and shareholders, stakeholders, the market, and supervisors, on the other hand, as it gives them the necessary information that enables facilitating the oversight process of the Bank, understanding its activities, judging the performance of the Bank's management, and thus enabling them to make sound decisions in their dealings with the Bank.

1. The Bank shall carry out the disclosure process in accordance with laws, legislation, and the instructions of the Central Bank of Syria, the Securities and Exchange Commission, and other relevant legislation and instructions, and in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards (IFRS) in areas not covered by AAOIFI standards and in a manner that does not conflict with the provisions of Islamic Sharia, while observing the latest developments and updates to these standards.
2. Disclosure shall be made regularly at specified times and without delay, in the annual report and periodic reports on the Bank's website and in other appropriate means (in both Arabic and English), regarding periodic meetings between the Bank's Executive Management and investors and shareholders, in addition to statements and periodic summaries provided by management and directed to shareholders, financial analysts, and journalists.
3. It is prohibited for any of the Chairman and members of the Board of Directors, members of committees emerging from the Board, the Chief Executive Officer, consultants, external auditors, and internal auditors of the Bank to disclose any insider information affecting the share price in the market or to trade in the Bank's shares based on insider information.
4. The Bank shall, with respect to all its annual and periodic reports, statements, and periodic summaries, commit to providing accurate, understandable, and comparable information, complete in terms of time period.

5. The Bank's annual report and periodic reports shall include a paragraph regarding disclosure of management's observations and analyses that includes financial and non-financial information enabling investors to understand the results of current and future operations and the financial position of the Bank, including the potential impact of current and expected trends and events and uncertainties. The Bank undertakes that all such observations and analyses are approved, complete, fair, and understandable. These analyses are also considered forward-looking information that includes disclosure of circumstances that may affect the Bank's financial position if these circumstances are justified and probable.
6. The Board shall disclose material events after obtaining the approval of the competent authorities (if required), in accordance with the following determinants:
    - Comprehensive description of the event and related information.
    - Factors that led to the occurrence of the event.
    - The financial impact of the event and the obligations that may arise for the Bank as a result.
7. The Bank's annual report also enhances the full disclosure process with the information set out below regarding organizational, administrative, financial, and other aspects related to governance.

Article Twenty-Two: Organizational and Administrative Aspects Related to Governance

1. The Bank's objectives, codes, policies of business and ethics, and evaluating and comparing the Bank's performance with those codes and policies, with particular reference to the policies and procedures related to the Bank and compliance with the provisions and principles of Islamic Sharia, with the necessity of giving a general picture of the extent of the Bank's commitment to their application, and clarifying the reasons for non-compliance if it occurs.
2. **Board of Directors:**
    a. Board size, names of members (identifying independent members), the mechanism for appointing members, their qualifications, independence criteria, and material interests in transactions or matters affecting the Bank.
    b. Executive Management (qualifications and experience, responsibilities, reporting levels).
    c. Duties and responsibilities of the Board of Directors.
    d. Frequency of Board meetings and the number of meetings attended by each member.
    e. Number of meetings.
    f. Information about Board members including qualifications, experience, and their shares, in addition to their appointment dates, membership in the Board and Board committees and in other boards of directors, their participation in executive management functions, and the remunerations and salaries they received from the Bank or any other transactions between them and the Bank.
    g. The performance criterion adopted for evaluating the effectiveness of the Board as a whole and the effectiveness of each Board member.
    h. Resignations of members during the year.
3. **Committees Emerging from the Board of Directors:**
    a. Committee composition.
    b. Duties, responsibilities, and working system.

c. Number of meetings held during the year for each committee and the number of meetings attended by each member.

4. **Sharia Supervisory Board:**
   a. Names of members, the mechanism for their selection, their qualifications, independence criteria, and material interests in transactions or matters affecting the Bank.
   b. Duties and responsibilities of the Board.
   c. Frequency of the Board's meetings.
   d. Number of meetings and the number of meetings attended by each member.
   e. Information about Sharia Supervisory Board members including qualifications, experience, and their shares, in addition to their appointment dates, membership in the Board and in other boards, and the remunerations and salaries they received from the Bank.
   f. Resignations of members during the year.
5. The Bank's organizational structure as a whole.
6. The basic ownership structure including major shareholders, voting rights, beneficial owners, and shareholders' membership in the Board of Directors or their participation in executive management functions.
7. Compensation and remuneration policies followed in the Bank.
8. Compensation and incentives granted to the Board of Directors and executive managers, and the fees received by the External Auditor and the Sharia Supervisory Board.
9. The Bank's policies regarding conflict of interest, how the Bank manages conflict situations that are not consistent with those policies, in addition to policies on conflicts of interest that may arise from transactions with related parties directly or indirectly or on behalf of a third party, and also the nature and size of transactions.
10. A summary of the most important economic changes and their impact on the Bank.

Article Twenty-Three: Financial Aspects

1. The annual report shall include financial statements that are often published annually in accordance with legislative and regulatory requirements and in accordance with applicable laws and regulations.
2. Disclosures related to financial aspects.
3. The External Auditor's report.
4. The Sharia Supervisory Board's report.

Article Twenty-Four: Transparency and Disclosure Regarding Investment Accounts

Transparency contributes to the efficient allocation of resources by ensuring that investment account holders obtain sufficient information to identify risks and distinguish one Islamic bank from another. It allows equality and equal opportunities in obtaining information and leads to reducing transaction costs. Transparency is fully consistent with what is imposed by Islamic Sharia ("And do not conceal testimony, and whoever conceals it, his heart is surely sinful. And Allah is Knowing of what you do").

Based on the foregoing, the Bank shall provide material and essential information about investment accounts to the holders of those accounts and to the public adequately and at specified times. Accordingly, the following must be observed:

1. Providing information to investment account holders about the bases of profit distribution before opening the investment account.

2. Periodic disclosure – in a daily newspaper and/or the annual report and/or on the Bank's website – of the following matters:
    - Policies related to profit distribution, asset distribution, investment strategies, and mechanisms for supporting returns with respect to investment accounts.
    - The Bank's participation ratio in investments.
    - Formation and/or distribution of the profit equalization reserve and investment risk reserve.
    - Calculation and distribution of profits to investment account holders.
    - Sharia reports and fatwas issued by the Sharia Supervisory Board, how they were reached, and the conditions for their application with respect to information of interest to shareholders, depositors, and investment account holders.
3. Including in the annual report a statement issued and approved by the Board of Directors regarding policies related to investment accounts, their risks, and expected returns.
4. Publishing disclosures in Arabic as a minimum.
5. Informing the public – in a daily newspaper – of the approved means of disclosure.
6. Disclosing any material urgent information whenever necessary.

Chapter Five: Relationship with Shareholders, Investment Account Holders and Other Stakeholders

Article Twenty-Five: Rights of Shareholders, Investment Account Holders and Other Stakeholders

The governance framework guarantees the protection of all shareholders' rights stipulated in the regulating laws and legislation, particularly the Companies Law and Chapters One and Two of the Corporate Governance Code issued by the Syrian Securities and Exchange Commission, including:

1. Taking all legal steps to encourage shareholders, including small ones, to attend the ordinary or extraordinary General Assembly meeting for discussion and voting, either in person or by proxy, with separate voting on each issue raised during the meeting. The General Assembly of Shareholders enjoys the following powers:
    a. General and fundamental rights of shareholders.
    b. Shareholders' rights to obtain information.
    c. Shareholders' rights related to the General Assembly meeting, specifically mentioning the right to invite the Chairman and/or a member of the Sharia Supervisory Board to attend the annual General Assembly meeting to read the Sharia Supervisory Board's annual report and answer any inquiries that may be raised regarding Sharia matters, and the right to appoint an independent Sharia Supervisory Board.
2. The governance framework guarantees equal treatment of all shareholders, including small shareholders and foreign shareholders.
3. The governance framework entails recognition of the rights of stakeholders stipulated in applicable laws, and they must be given the opportunity to obtain effective compensation as a result of the violation of any of these rights.
4. The investment account holder, in his capacity as the provider of capital – according to the principle of Mudarabah or Wakalah – bears the risk of losing his capital invested by the Islamic Bank in its capacity as Mudarib or agent. This makes the risks to which both shareholders and investment account holders are exposed similar. Therefore, the Islamic Bank must commit to protecting the interests of investment account holders to an extent not less than its commitment to protecting the interests of shareholders. Based on the foregoing, the Board of Directors must:
    - Recognize the rights of investment account holders to monitor the performance of their investments and related risks, and take the necessary means to ensure the preservation and exercise of these rights. Accordingly:
        1. Giving the investment account holder, before opening the account, sufficient information about his contractual rights, the strategies and policies related to investment account investments and their risks, asset distribution, and profit distribution policies.
        2. Informing the investment account holder upon opening the account that he bears the loss of assets financed in proportion to his investment only, and that the Islamic Bank's responsibility for that loss is waived only in the case of infringement or negligence.
    - Adopting a sound investment strategy that aligns with the risks and expected returns of investment account holders (taking into account the distinction between restricted

and unrestricted investment account holders), in addition to adopting transparency in supporting any returns. This shall be achieved through:

1. Employing qualified investment managers fully capable of understanding the needs and expectations of investment account holders.
2. Informing investment account holders when supporting returns (forming the profit equalization reserve), and whenever additions and withdrawals are made from these reserves, through disclosure in the financial statements.
3. Disclosing returns to investment account holders in a manner that distinguishes between the profit rate and the actual profit distribution rate, such that it is clearly understood that the profit equalization reserve is for the purpose of supporting profit distributions and not supporting the realized profits of investment account holders.
4. Taking into consideration that the use of reserves to support returns (profit equalization reserve) and to mitigate unexpected losses (investment risk reserve) should not be considered the most appropriate means of meeting investment account holders' expectations regarding risks and returns. It is more appropriate to achieve this through effective and appropriate asset management.
5. The Governance Committee shall assume responsibility for monitoring the use of the profit equalization reserve and investment risk reserve and providing appropriate recommendations to the Board of Directors on how to use them. The provisions of the Article related to the formation of the investment risk reserve in the legislation specific to Islamic banks shall be observed.