



## Table of Contents

No.	Title	Page
1	Introduction	4
2	Definitions	5
3	Purpose of this Policy	9
4	Scope of the Policy	9
5	Rules for Dealing with Related Parties	9
6	Reporting Transactions with Related Parties	10
7	Reviewing Transactions with Related Parties	11
8	Disclosure of Transactions with Related Parties	11
9	Procedures for Managing Transactions with Related Parties	12

## 1. Introduction

This document outlines the policy and procedures for managing transactions with related parties. It should be read within the framework of the bank's general policies, with an understanding of the standards and methods used in this policy.

This policy has been prepared in accordance with best practices in disclosure policy and managing transactions with related parties, as applied by both Arab and international banks.

Some phrases may be repeated in other similar documents (policies), which is common when preparing policies. This is because certain rules, laws, or instructions can be used in more than one policy. Therefore, they should be included so that each policy is independent while covering all related rules.

Finally, it is important to emphasize that all the contents of this policy are mandatory and must comply with the laws and regulations in effect in the Republic of Iraq, particularly the instructions issued by the Central Bank of Iraq.

### Definitions:

The following terms are defined as indicated next to each one, unless the context suggests otherwise

The system used by the bank for its management aims to define and achieve the bank's institutional objectives, operate securely, protect the interests of depositors, and fulfill its responsibilities towards shareholders and other stakeholders. The bank must comply with the laws, regulations, and instructions issued by the Central Bank of Iraq, including its governance guide, internal policies, and procedures related to the bank's overall operations.

The comprehensive systems establish the relationships between the board of directors, the executive management, shareholders, and other stakeholders. Corporate governance guides the board in overseeing activities in the following ways:

- Defining the bank's strategy,
- Managing the bank's risk system,
- Conducting the bank's operations and activities,
- Balancing the responsibility to shareholders, protecting depositors' interests, and considering the interests of other stakeholders,
- Ensuring compliance with applicable laws, regulations, and controls.
- Adopting disclosure and transparency practices.

<b>The board</b>	Board of Directors of Asia Iraq Islamic Bank for Investment and Finance.
<b>Member of the Board of Directors</b>	A member of the board of directors in the bank, either in their personal capacity or as a representative of a legal entity.
<b>Executive member of the Council</b>	Board member with an executive role in the bank (Managing Director) of the Asia Iraq Islamic Bank for Investment and Finance
<b>Non-Executive Member of the Board</b>	A board member who does not interfere with the daily management of the bank and is not assigned any executive role within the bank. This refers to a board member who, for example, may be considered a "related party," provides advice and technical counsel, but does not participate in the management or daily operations of the bank, nor does he/she receive a monthly salary.
<b>Independent member</b>	A board member who enjoys full independence from the management and the bank. Independence means having the ability to make impartial judgments after considering all relevant information, without any influence from the management or external parties.
<b>Senior executive management</b>	The term refers to senior employees, including the CEO, Deputy/Assistant CEO, Chief Financial Officer, Chief Operations Officer, Chief Risk Officer, Internal Audit Director, Treasury Director, Investment Director, Compliance Director, Credit Director, International Banking Operations Director, Local Banking Operations Director, Anti-Money Laundering and Counter-Terrorism Financing Director, Human Resources Director, Administration Director, Banking Awareness and Public Protection Director, and the Main Branch Director. It also includes any employee with executive authority equivalent to any of the aforementioned positions, who reports directly to the CEO.
<b>Related parties</b>	<p>The term "related parties" includes the following:</p> <ul style="list-style-type: none"> <li>• Institutions affiliated with the bank, along with their board members and key executives.</li> <li>• Major shareholders of the bank (those owning 5% or more), their close associates, and any entities they control directly or indirectly.</li> <li>• The Chairman and members of the bank's board of directors, their close associates, and any entities they control directly or indirectly.</li> <li>• The bank's CEO, their key executives, and their close associates, as well as any institutions or companies they control directly or indirectly.</li> </ul>
<b>Related person</b>	The following refers to individuals or entities that have direct or indirect relationships with a manager in a bank:

- Any manager within the bank.
- Any person related to the manager through family ties up to the second degree, or any relative by marriage, including adopted children or individuals residing in the manager's home.
- Any person with qualified ownership in the bank or any project where such a person or any bank manager holds a significant stake, or a manager of such a person or project.
- Any individual under Article (1) of the Banks Law No. (94) of 2004.

<b>Associated group</b>	The phrase refers to a group of individuals or companies connected by family relations or significant economic interests.
<b>Stakeholders</b>	Interested parties" in a bank include individuals and entities such as depositors, shareholders, employees, creditors, customers (clients), regulatory bodies, and government authorities. These stakeholders have a vested interest in the operations and financial health of the bank.
<b>Influential interest/qualifying possession</b>	The shareholder, or one of their relatives up to the fourth degree, holds at least 10% of the bank's capital. Any individual, legal entity, or related group intending to invest more than 10% of the subscribed capital in the bank must notify the Central Bank of Iraq of this acquisition at least 10 days in advance in order to obtain approval to execute the acquisition
<b>main shareholder</b>	A person who owns 5% or more of the bank's capital, either directly or indirectly
<b>control</b>	A company is considered to control another if the person: <ul style="list-style-type: none"> <li>• Directly or indirectly owns or controls, or through one or more individuals, has voting power of 25% or more of the voting shares of the company.</li> <li>• Has the authority to appoint the majority of the company's directors (or) exercises significant control</li> </ul>
<b>Risk management</b>	It is a regular process to identify, measure, and assess the risks faced by the business according to their likelihood and potential damage, determining the elements that the bank can either bear, avoid, insure against (or any combination of these), assigning responsibility for handling them, ensuring the continuity of operations, and reporting regularly and immediately to relevant authorities regarding tangible issues

**Conflict of interest**

It is a situation in which the objectivity and independence of an employee or board member's decision are influenced by a personal, financial, or moral interest that affects them directly or affects a relative, or when their performance is influenced by personal considerations, either directly or indirectly, or by their knowledge of information relevant to the decision. For example, misuse of assets, transactions with related parties, matters related to financial and non-financial statements, the nomination of board members and executive management, setting board or executive management member compensation, and others.

In other words: any relationship that is considered or appears to be against the bank's interests, which may limit the employee's ability to perform their duties and responsibilities objectively, and exists between any of the bank's employees and customers, suppliers, or competitors. The result of this relationship is a benefit to the employee at the bank's expense, whether that benefit is material or moral.

**General Authority**

General Assembly of Shareholders of Asia Iraq Islamic Bank for Investment and Finance.

**the boss**

Any person who is authorized and responsible for a group of officials in the bank.

**Bank capital**

Paid-up capital and reserves

**Person of interest**

Any employee of the bank who has a direct personal interest (ownership and/or administrative or executive relationship) or an indirect interest (through a family member or a friend) in a party that engages in any type of business with the bank

**Financial interest**

A financial or material interest is considered to exist for an employee, either directly or indirectly, in the following cases:

- If the employee owns or has a share or administrative relationship in any company involved in any type of business with the bank.
- If a close relative (of any degree) or friends/acquaintances of the employee have ownership, shares, or an administrative relationship in any company involved in any type of business with the bank.

**Suppliers**

Any external entity, whether a supplier of goods and services to the bank, consultants, financial institutions, or any individuals or organizations with a business relationship with the bank.

## 1. Purpose of this Policy

The purpose of this policy is to provide a framework for transactions with related parties in the bank. It outlines the necessary rules and regulations to ensure that dealings with related parties are conducted transparently, professionally, and without any preferential treatment. Additionally, it emphasizes that transactions with members of the board of directors and related parties are handled under the same conditions as those applied to other stakeholders, without any discrimination or preferential terms.

## 2. Scope of the Policy

The provisions of this policy apply to all related parties as defined by International Accounting Standard (IAS) 24, including the Chairman and Board Members of the bank, senior executive management, companies in which any of these individuals holds a controlling interest, as well as parent, subsidiary, affiliate, or allied companies. The policy applies to the following areas:

- Internal audit operations.
- Business continuity planning activities.
- Certain activities related to information systems management.

## 3. Rules for Dealing with Related Parties

- Related party transactions include all transactions, whether direct or indirect, entered into by the bank with any related party. These transactions encompass sales, purchases, guarantees, payments, exchange of resources, loans, deposits, banking services, other financial products, and contracts for supply or services, or other contractual obligations between the parties.
- If a related party has any direct or indirect interest in a transaction that has taken place or is planned with the bank or any of its subsidiaries or affiliates, and that interest conflicts or may conflict with the bank's interests, the related party must disclose this to the Board of Directors in writing. This disclosure should detail the nature and extent of the interest within three working days from when the related party becomes aware of the conflict, and the details of the conflict must be included in the financial report presented by the bank's auditor during the Annual General Assembly meeting. A related party who is also a shareholder cannot vote on any decision related to their transaction.
- All transactions with related parties must be conducted on professional and commercial terms, adhering to the following:
  - Transactions should undergo the same level of scrutiny and attention as those with unrelated parties.
  - Transactions should comply with the same terms and conditions applied to similar transactions with external parties.
- Any approval for granting credit facilities of any kind to board members or related parties must adhere to the instructions issued by the Central Bank of Iraq.

- The bank is prohibited from granting loans to board members, the CEO, their spouses, children, or immediate family, or companies/entities they control, or from guaranteeing loans taken by any of these parties, unless authorized by a special resolution from the general assembly of the bank. Any act in violation of this rule is invalid, without prejudice to the rights of third parties.
- The internal audit department of the bank conducts an annual audit of transactions with related parties to ensure compliance with this policy and relevant instructions and submits a report to the Audit Committee.

#### **4. Reporting Transactions with Related Parties**

- In the event of entering into a transaction with a related party, the transaction must immediately be discussed with the Chief Executive Officer (CEO) and subsequently presented to the Board of Directors.
- It is prohibited to enter into transactions with related parties without obtaining prior written approval from the CEO and the Board of Directors.
- The CEO is solely responsible for discussing and obtaining final approval from the Board of Directors for all related party transactions.

#### **5. Reviewing Transactions with Related Parties**

- The Internal Audit Committee is responsible for reviewing, approving, and certifying transactions with the following related parties:
  - Any transactions with related parties in which a board member or their relatives have an interest.
  - Any transactions with related parties, where the value exceeds a threshold set by the board, and a senior executive or their relatives have a significant interest.
- In cases where prior notice is provided about a related party transaction to the Chairperson of the Audit Committee, and it is not possible to hold a committee meeting, the chairperson will review the transaction's appropriateness. If deemed appropriate, the chairperson will approve it, and the committee will be required to ratify it in the next meeting.
- A board member may not participate in discussions or the approval of related party transactions in which they or any of their family members have an interest. However, the board member must provide all relevant information regarding the related party transaction to the committee.
- The Audit Committee is responsible for reviewing and approving related party transactions involving senior executive members or their relatives.
- The Audit Committee must submit a summary to the board of all related party transactions that have been approved.



## 6. Disclosure of Transactions with Related Parties

- Board members must annually disclose all their related parties.
- Senior executive management must annually disclose all their related parties.
- Subsidiaries of the bank, if applicable, must annually disclose all their related parties.
- All transactions with related parties must be disclosed to the shareholders in the general meeting.
- A list must be prepared containing all related parties, including the names of board members, senior executives, and subsidiaries, and the list should be stored in a special file with the internal audit manager.
- All transactions with related parties must be recorded in a register, which should be reviewed and audited periodically.
- All disclosures must be submitted to the internal audit committee to ensure their completeness.
- The financial statement disclosures must include separate details of the compensation for board members and senior executives.

## 7. Procedures for Managing Transactions with Related Parties

- The internal audit manager is responsible for reviewing transactions with related parties and ensuring there are no exceptions in dealing with them.
- The audit manager obtains a list of related parties.
- The audit manager receives a report of transactions with related parties, particularly those involving sales, purchases, guarantees, and payments, and ensures the following:
  - The bank has not provided loans or guarantees for loans to any member of the board of directors.
  - Transactions with related parties follow the same terms and conditions applied to the bank's customers and suppliers.
  - The financial statements include disclosures specific to transactions with related parties.
- The internal audit manager submits a report to the audit committee and the board of directors detailing any transactions with related parties that have taken place or are planned.
- After the board of directors approves the policy document, a summary is published on the bank's website in the governance section, and the policy becomes effective upon publication. It should provide relevant and updated information that helps current and potential shareholders and investors exercise their rights and evaluate the bank's performance.
- The internal audit manager is responsible for implementing these procedures, ensuring compliance, and periodically reviewing them as needed based on recommendations from the internal audit committee. Any amendments to these procedures are not valid unless approved by the board of directors.