Charter of the Environmental, Social, and Corporate Governance (ESG) Committee

The Charter has been updated based on the Environmental, Social and Governance Standards Guide for Banks issued by the Central Bank of Iraq 2024.

Introduction

In line with the Bank's commitment to uphold sound corporate governance practices, and in order to monitor the implementation of the “Environmental, Social, and Governance Standards Guide for Banks,” the Bank has established the **Environmental, Social, and Governance (ESG) Committee**. The Bank attaches great importance to effective corporate governance practices, and the Board of Directors is committed to applying the highest standards of professional performance across all Bank operations. This is achieved by adhering to the Central Bank of Iraq’s instructions and international best practices, including the Basel Committee’s recommendations on corporate governance and the ESG standards guide for banks. The Board is committed to implementing this guide in accordance with the Iraqi banking environment and within the legislative and legal frameworks governing the Bank’s operations.

Definition

Bank	Asia Iraq Islamic Bank for Investment and Finance
Chairman	Chairman of the Board of Asia Iraq Islamic Bank
Board	Board of Directors of Asia Iraq Islamic Bank
Corporate Governance	A comprehensive system that defines the relationship between the Board of Directors, executive management, shareholders, and other stakeholders. It covers: Defining the Bank's strategy, Overseeing Bank Managing Bank risks, including ESG-related risks including the ESG strategy Balancing shareholders' rights with the interests of depositors and other stakeholders operations Practicing transparent reporting of all Ensuring compliance with laws, regulations, and policies material financial and non-financial matters
ESG Committee Governance	Refers to the tools that support the assessment or self-assessment of ESG management practices within the Bank, compared to good market practices in environmental and social aspects.
ESG Risk Management Operations	A system consisting of policies, procedures, and tools to identify, assess, monitor, manage, or mitigate exposure to environmental and social risks. It should be an integral part of the Bank's overall risk management framework.
Objectives of the ESG Committee	Monitor and oversee the application of environmental, social, and governance (ESG) standards, including climate-related matters.

Environmental Standards	Refers to the Bank's impact on the natural environment, climate, carbon emissions, supply chain activities, energy consumption, waste and pollution management, plastic usage, recycling, land use (e.g., deforestation), biodiversity, nature loss, target setting, disclosure, and transition planning.
Social Standards	Refers to the Bank's interaction with stakeholders, employee physical and mental safety, whistleblowing, fair pay, gender pay gap disclosures, racial diversity, customer fairness, supplier conduct, modern slavery risks, human rights, social violations, and partnerships.
Executive Management	Includes the CEO, Deputy CEO, and Directors of Credit, Finance, Operations, International Banking, Local Banking, Internal Audit, Anti-Money Laundering, Human Resources, Administration, Risk Management, Treasury, and Compliance — or any employee with equivalent executive authority reporting directly to the CEO or Regional Manager, and anyone required by the Central Bank of Iraq to comply with the CBI Law No. (56) of 2004 and the Banking Law No. (94) of 2004.
ESG Committee	A committee responsible for preparing ESG and sustainability reports to be included in the annual report and making recommendations to the Board for approval. It coordinates with the Audit Committee during the reporting process.
Stakeholders	All parties who may be affected by or have an interest in the Bank's operations, products, services, or profitability. This includes shareholders, investors, employees, regulators, customers, depositors, borrowers, suppliers, communities, and others.

ESG Committee – Formation and Membership

Section	Details
Formation	The ESG Committee is established by the Board and is composed of independent non-executive members. The Chairman of the Board also serves as the Committee Chair.
Membership	- Chairman of the Board (Chair) - Board Member (Member) - Board Member (Member)
Qualifications	Members must possess qualifications in accounting, auditing, financial management, or related banking disciplines. They must also have a sound understanding of ESG principles and sustainable finance practices.
Term	Membership in the committee is valid for the duration of the member's Board term.

Powers of the Committee

- **Powers of the Committee:**
- **Monitoring and Supervision:** Monitor and supervise the adherence to environmental, social, and corporate governance (ESG) standards, including climate-related matters.
- **Delegating a Subcommittee:** The committee may delegate a subcommittee to monitor and oversee climate-related matters within the bank.
- **Ensuring the Application and Regular Updates:** Ensure the application of the Environmental, Social, and Corporate Governance (ESG) standards and relevant climate-related documents, and update them regularly.
- **Preparing the Report:** Prepare the ESG and sustainability report to be included in the annual report and recommend it for approval by the Board of Directors.
- **Coordination with the Audit Committee:** The committee will coordinate with the Audit Committee regarding the report preparation process.
- **Periodic Review:** Regularly review the effectiveness of the ESG governance structures, including establishing additional committees for the Board and dissolving them, and propose any changes for approval by the Board.
- **Ensuring the Application of Policies and Procedures:** Ensure that the bank, Board members, and executive management apply the ESG standards, policies, and procedures as per the bank's guidelines.
- **Independence of Board Members and Disclosure of Interests:** Ensure compliance with the requirements for the independence of Board members and the disclosure of interests.
- **Review and Enhance Code of Conduct:** Review and regularly enhance the requirements of the bank's Code of Conduct and policy on managing conflicts of interest.
- **Ensuring Report Compliance:** Ensure that the bank’s reports comply with the ESG performance card requirements issued by the Central Bank of Iraq, including the documentation and documents that ensure compliance.

- ✓ **Ensuring Compliance with Laws and Regulations:** Ensure the bank's compliance with the applicable laws, instructions, and regulations in the field of ESG.
- ✓ **Reviewing Training and Development Plans:** Review the annual training and development plans for the executive management and staff at the bank concerning ESG standards, sustainability, and climate-related matters, and provide recommendations to executive management and human resources regarding the training plans.

	Committee meetings
Meeting Venue	The committee meetings shall be held at the bank's headquarters or any other location determined by the Chairperson if the headquarters is unavailable.
Meeting Frequency	• The ESG Committee must meet at least four (4) times annually. • Additional meetings may be held as necessary or upon request by the Board of Directors, unless otherwise directed by the Board.
Invitations and Agenda	The Committee may, when necessary, invite members of executive management, bank staff, or others to attend meetings to provide information or respond to relevant inquiries.
Quorum	A quorum is constituted with the attendance of at least two Committee members, provided they are independent non-executive Board members, or a majority of members including at least two independent non-executive Board members.

	Committee meetings
Decision-Making	Decisions are made by a majority vote of the members present. In case of a tie, the Chairperson’s vote shall be the deciding vote.
Meeting Minutes	- After each meeting, the Committee shall submit a report (meeting minutes) to the Board of Directors, detailing the agenda, discussions, outcomes, and recommendations for approval. - A semi-annual report shall be prepared summarizing the meetings, key topics, and recommendations, to be presented to the Board and archived by the Committee Secretary.

Committee responsibilities

- ✓ Develop a strategy or framework for the bank's Environmental, Social, and Governance (ESG) standards
- ✓ Provide guidance and recommendations on appropriate strategic objectives and metrics for the bank's ESG standards.
- ✓ Prepare reports and disclosures on the bank's ESG activities and ensure inclusion in the annual report, including the sustainability report.
- ✓ Define standards and practices for exploring new opportunities, including the provision of training and development opportunities.
- ✓ Establish appropriate policies and procedures related to the bank's ESG guidelines.
- ✓ Oversee the institution's engagement and responsibilities regarding social issues toward stakeholders
- ✓ Provide recommendations and guidance on ESG-related risks to the Board of Directors
- ✓