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Central Bank of Jordan
Corporate Governance
Code is out
Are you ready?



In the Middle
East since
1926

CBJ issues Corporate Governance Code

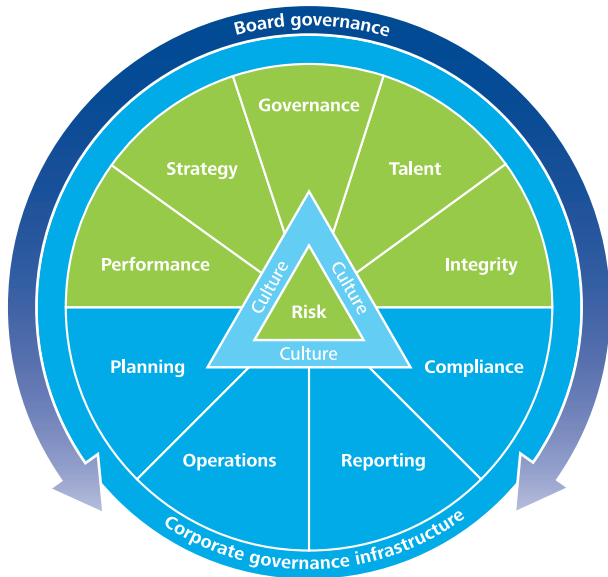
Rotation of external auditors to take place every seven years followed by one year of Joint Audit

As part of its continuous efforts to enhance transparency and efficiency within the banking sector, the Central Bank of Jordan (CBJ) issued a new corporate governance code for banks on September 30, 2014, which supercedes the initial corporate governance guide issued by CBJ in 2007.

The CBJ code contains 23 articles covering 13 key topics detailed below:

1. Board Composition
2. Board Meetings
3. Board Roles & Responsibilities (including authority limits)
4. Board Committees
5. Board & Executive Management Appropriateness
6. Board and Executive Management Evaluation and Remuneration
7. Conflict of Interest
8. Internal Audit
9. External Audit
10. Risk Management
11. Compliance Department
12. Stakeholders' Rights
13. Disclosure & Transparency

Our Corporate Governance Methodology is closely aligned to CBJ code which represents a reliable approach to enhancing oversight and the necessary “checks and balances”.



- Defining roles and responsibilities of the Board, Board Committees and Executive Management (including management of segregation of duties and conflict of interest)
- Defining the key considerations pertaining to Board and Executive Management evaluation and remuneration
- Roles, responsibilities and Internal Audit, Risk Management and compliance functions
- Management relationship with stakeholders (including shareholders, community and disclosure and transparency)

Effective date

The corporate governance code was issued on September 30, 2014 with certain rules and principles of a binding legislative nature that have to be implemented immediately while the grace periods for implementing other sections of the code include 30 days, 120 days etc.

How can Deloitte assist you?

1. Benchmark against CBJ requirements

- Benchmarking the bank's existing corporate governance structure and practices against the CBJ corporate governance rules, identifying gaps and developing a roadmap and actions to close the gaps.

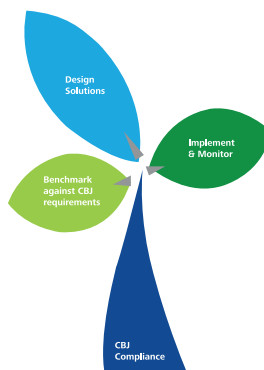
2. Design solution

- Develop/update board and board committee charters.
- Develop a board development program.
- Providing training/awareness to board members covering new responsibilities.
- Disclosure register for board and executive management remuneration.
- Assess/develop, and, if needed, assist in implementing an effective internal control and reporting framework.

- Assess/enhance the risk management framework including manuals, structures, tools, methodologies and reporting templates.
- Assess/enhance the internal audit function through conducting quality assurance reviews, improving methodologies, and co-sourcing arrangements.
- Review and update the policies and procedures of internal audit, compliance, risk management functions.
- Review and comment on the adopted risk management strategy adopted by the bank.
- Draft/update job descriptions for board members and the board secretary.

3. Implement & monitor

- Provide support in implementing the CBJ code including periodic half-yearly progress reporting to CBJ.
- Assist with the annual corporate governance reporting, and enhance website disclosures.



CBJ requirements and Deloitte's proposed solution

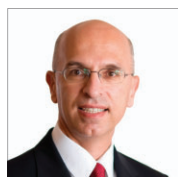
Relevant article #	Area	Proposed deliverables/activities
6 & 7	<p>Board composition and meetings</p> <ul style="list-style-type: none"> • Minimum 11 members (unless owned by one shareholder) • All board members should be non-executive • Position of chairman and CEO should be separated • Independent board members should be at least four • Meeting attendance by video or call upon the chairman's approval (no authority to vote for distant attendees) 	<ul style="list-style-type: none"> • Board and board committee charters • Register for board and board committee meetings
8-10	<p>Board key roles and Responsibilities & appropriateness of board members</p> <ul style="list-style-type: none"> • Oversight of executive management • Determining strategic objectives and guiding executive management to achieve the same • Ensuring availability of comprehensive policies and procedures • Adopting an internal control system and reviewing the same at least annually • Ensuring independence of internal audit, external audit, risk management and compliance functions • Approval of risk management strategy and oversight of the same • Ensuring the existence and sufficiency of a Management Information System (MIS) • Ensuring that credit policy take into consideration governance and customer risk • Ensure comprehensive organizational structure exists taking into consideration segregation of duties and independence • Ensure that the bank is taking social responsibility initiatives within health, education and environment fields • This includes the possibility of providing financing to small- and medium-size enterprises within reasonable costs • Adopt a policy on board members & executive management qualifications, to be revised at least annually • This policy must define the minimum requirements of each board member/executive management member • A copy of the same to be provided to the Central Bank of Jordan (CBJ) • Sufficient controls to be in place to ensure compliance with the above mentioned policy (Details on board member/executive management member related requirements are identified in the code) 	<ul style="list-style-type: none"> • Job descriptions for the board and board Committee members (including chairman, members and secretary) • Board and board committee charters (focus on remuneration and nomination of committee charters) • Awareness presentations to the board and board committee members • Job descriptions for key positions • Organizational structures • Revision of the bank's credit policy • Revision of IT policies and procedures • Board and board committee handbook • Corporate social responsibility template • Revision of sustainability reporting to meet GRI reporting standards • Provide assurance on sustainability reporting

Relevant article #	Area	Proposed deliverables/activities
11-15	Board and executive management evaluation and remuneration	
	<ul style="list-style-type: none"> • General manager evaluation to be done annually • Board to adopt a mechanism for the evaluation of the board and its members • Nomination and remuneration committee to evaluate the board, board members and board committees on a yearly basis • Board to adopt procedures to determine the remuneration of its members based on the policy it has adopted • Nomination and remuneration committee to draft a remuneration policy (for executives) to be adopted by the board • The policy should be objective and be presented to CBJ upon board approval 	<ul style="list-style-type: none"> • Preparation of board development programs • Delivering board training presentations • Preparation/update of board, board committees and key executive job descriptions • Development/update of KPIs for board, board committees and top management • Revision and update of the remuneration policy • Development of board/ board committees and executive management remuneration register and disclosure checklist
16 & 21	Conflict of Interest & Protection of Shareholders Rights	
	<ul style="list-style-type: none"> • Board to adopt a policy and procedure on how to address conflict of interest cases and disclose the same • Board to adopt a policy and procedure on how to deal with related parties • Audit committee to review all related party transactions and to update the board on the same • Develop and implement policies and regulations for protection of stakeholder rights • Quarterly reports on the financial position and situation of the bank • As part of protecting shareholders rights, the code requires the establishment of a shareholders unit 	<ul style="list-style-type: none"> • Conflict of interest policy • Conflict of interest forms • Audit committee charter • Related party and shareholder management policies • Developing/updating corporate governance Manual
17 & 20	Internal Audit, External Audit, Risk Management & Compliance	
	<ul style="list-style-type: none"> • Board to ensure independence of internal audit function and the authority of function to access information • Audit committee to ensure sufficiency of needed resources for the internal audit function • Rotation of external auditors to take place every seven years • External audit provider cannot be appointed for any other task before two years have passed since last appointment 	<ul style="list-style-type: none"> • Internal audit charter • Risk management framework • Risk assessment workshops • Revision of risk management strategy • Audit and risk management committee charter • Revision of internal audit plan • Job descriptions for risk management function employees

Relevant article #	Area	Proposed deliverables/activities
17 & 20	<ul style="list-style-type: none"> Independence of external audit to be assessed by audit committee on an annual basis Board to ensure independence of compliance function and to adopt a compliance policy Risk management to draft risk management framework 	<ul style="list-style-type: none"> Risk related reporting templates Compliance and risk management policies and procedure manuals
22	<p>Disclosure & Transparency</p> <ul style="list-style-type: none"> Board to Ensure communication of financial and non-financial information to stakeholders Board to ensure compliance with disclosures identified according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) Quarterly and annual reports to identify the key financial and operational results of the bank (Details of key components to be covered in the annual and periodic reports are identified in the bank) 	<ul style="list-style-type: none"> Revision of disclosure & transparency policies to ensure compliance with applicable standards Annual report and periodic reporting checklists Revision of website related disclosures

Contacts

We are happy to provide you with more details of the code and how Deloitte can assist you in addressing its requirements.



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