

Charter of Risk Committee

Definitions:

- Risk Management: The process of identifying, measuring, analyzing, and responding appropriately to the major risks that have an adverse effect on the achievement of the bank's objectives, as well as continuous monitoring of them.
- Risk Committee: A specialized committee formed by the board of directors to assist them (in overseeing the effective management of the risks that the bank is exposed to), to operate within framework of its objectives, authorities and duties and the responsibilities assigned in this Charter.
- Risk Management Unit: Risk Management Department.

Objectives:

The main objective of Risk Committee is to assist the board of directors in the following cases:

1. Determining the status, analysis and control of bank risks.
2. Evaluation of the function of the systems used to determine the limit of risk
3. Review and approve major transactions (if necessary).

Authorities:

- The authorities of the Risk Committee are limited to cases for which the board of directors of the bank is the ultimate decision-making body.

- In order to carry out the duties and responsibilities assigned to this Committee, it is necessary to delegate the authority to use the resources required to conduct the relevant investigations, within the framework of the rules and regulations of the domestic. This includes the use of independent consultants, accountants and other experts in the field and the use of their expert comments if necessary.
- Establishing subcommittees to examine the status of various bank risks, in order to make recommendations to the Risk Committee.
- In the case of necessity, it is suggested to hold joint meetings with the members of the supervisory board members and the relevant persons in the Risk Management unit.

Responsibilities and Duties:

- Reviewing the plans and suggestions provided by the executive board, regarding risk appetite and giving advice to the board of directors of the bank.
- Reviewing bank's and its subsidiaries and affiliates risk status, according to the risk appetite determined by the board of directors and, if necessary, consulting with the Management and Audit Committee, internal and independent auditors.
- Reviewing and approving the strategies and programs proposed by the Risk Management Department, in dealing with various risks related to the activities of the bank and other reports of the said unit in the field of risk management of the bank and submitting it to the board of directors for approval.

- Reviewing the reports submitted by executive board, about the risks related to the activities of the bank and the actions taken by the executive board to effectively manage the risks and submitting the necessary suggestions to the board of directors of the bank.
- Collaborating with the Audit Committee to evaluate the performance of internal control systems and risk management, and reporting to the management regarding the implementation, approval and exercise of control over the mentioned systems.
- Examining major cases of violations from the identified risk limits and evaluating the responses provided by the relevant executive board member.
- Review and assurance of regulatory and control systems for reporting within the framework of legal requirements and other relevant laws in the field of financial and non-financial controls.
- Reviewing and, if necessary, take advantage of the recommendations of internal and independent auditors on risk management and also asset and liability management.
- Review and comment on new changes in the risk management system and submit to the board of directors for final approval.
- Reporting to the bank's board of directors on the major and potential risks of the bank's progress as well as the effectiveness of the risk management system.
- Reviewing the proposals of the executive board regarding the liquidity limits and policies of the bank before the approval by the board of directors of the bank.

- Reviewing reports prepared by other authorities on risk management before they are approved by the bank's board of directors.
- Policy-making and monitoring in order to ensure reasonable assurance on the optimization of risks and their returns in the bank.
- Reviewing the reports of the executive board regarding specific (exceptional) transactions and submitting the necessary suggestions to the board of directors of the bank.
- Performing the duties and responsibilities that are assigned to the said Committee, according to the current laws and regulations of the country or the instructions of the Central Bank of the Islamic Republic of Iran.

Composition of the Committee:

- Non-executive member of the bank's board of directors (Chairman of the Committee).
- Four independent members (according to the latest definition provided by the Central Bank of the Islamic Republic of Iran).
- Chairman of the Risk Management Department (Secretary of the Committee) "No voting rights".

Meetings:

- Regular meetings of the risk committee are held at least 4 times a year at the invitation of the Chairman of the Committee.
- The Risk Committee may, at the request of the Chairman of the bank's board of directors or the Chairman of the Audit Committee, hold extraordinary meetings in addition to regular meetings.

- The Chairman of the Risk Committee may, at his discretion, hold extraordinary meetings.
- The quorum for the Committee is $\frac{2}{3}$ of members.
- The decisions of the Committee shall be validated by a majority vote of the members of the Committee present at the meeting, and the minutes of the Risk Committee must be reported to the board of directors of the bank for information and review and, if necessary, approval, after the signatures of all the members present at the meeting and also the Secretary of the Committee.

The Reporting Framework:

- The Committee must submit its annual performance report to the Board of Directors no later than two months before to the date set for the Annual General Meeting (of the bank).
- The Committee's report should be reflected in the bank's annual report.
- Committee reports should include all of its activities, in particular:
 - ✓ Reports, points of views and proposals submitted to the board of directors, within the framework of the objectives set by the Risk Committee.
 - ✓ Any specialized services and reports received from the executive board, specialized committees and trusted consultants inside and outside the bank.
 - ✓ Matching the Committee's performance with its approved agenda.
 - ✓ Other important matters, as determined by the Committee.