

# Enterprise Governance of Information & Technology Manual

October 2019

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# Section 1

## Introduction

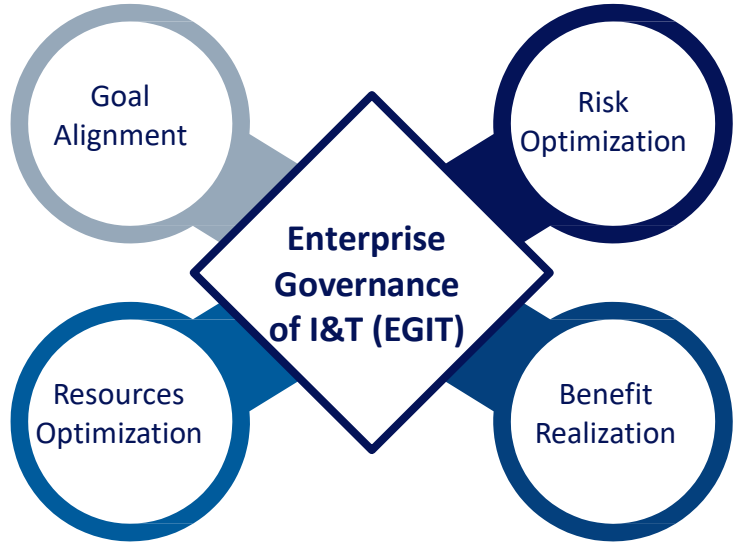
## 1.Introduction

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### 1.1. Enterprise Governance of Information &Technology Overview:

The Enterprise Governance of Information and Technology (EGIT) Framework at Arab Bank is established to ensure that IT activities are aligned with business objectives and that stakeholder needs of risk optimization, resources optimization and benefit realization are met.

Arab Bank EGIT is an integral part of the Bank corporate governance. It is exercised by the board that oversees the definition and implementation of processes, structures and relational mechanisms that enable both business and IT people to execute their responsibilities in support of business alignment and the creation of business value from I&T-enabled business investments.



### 1.2. Enterprise Governance of Information &Technology Objectives and Benefits:

The Enterprise Governance of I&T at Arab Bank aims to achieve the following objectives:

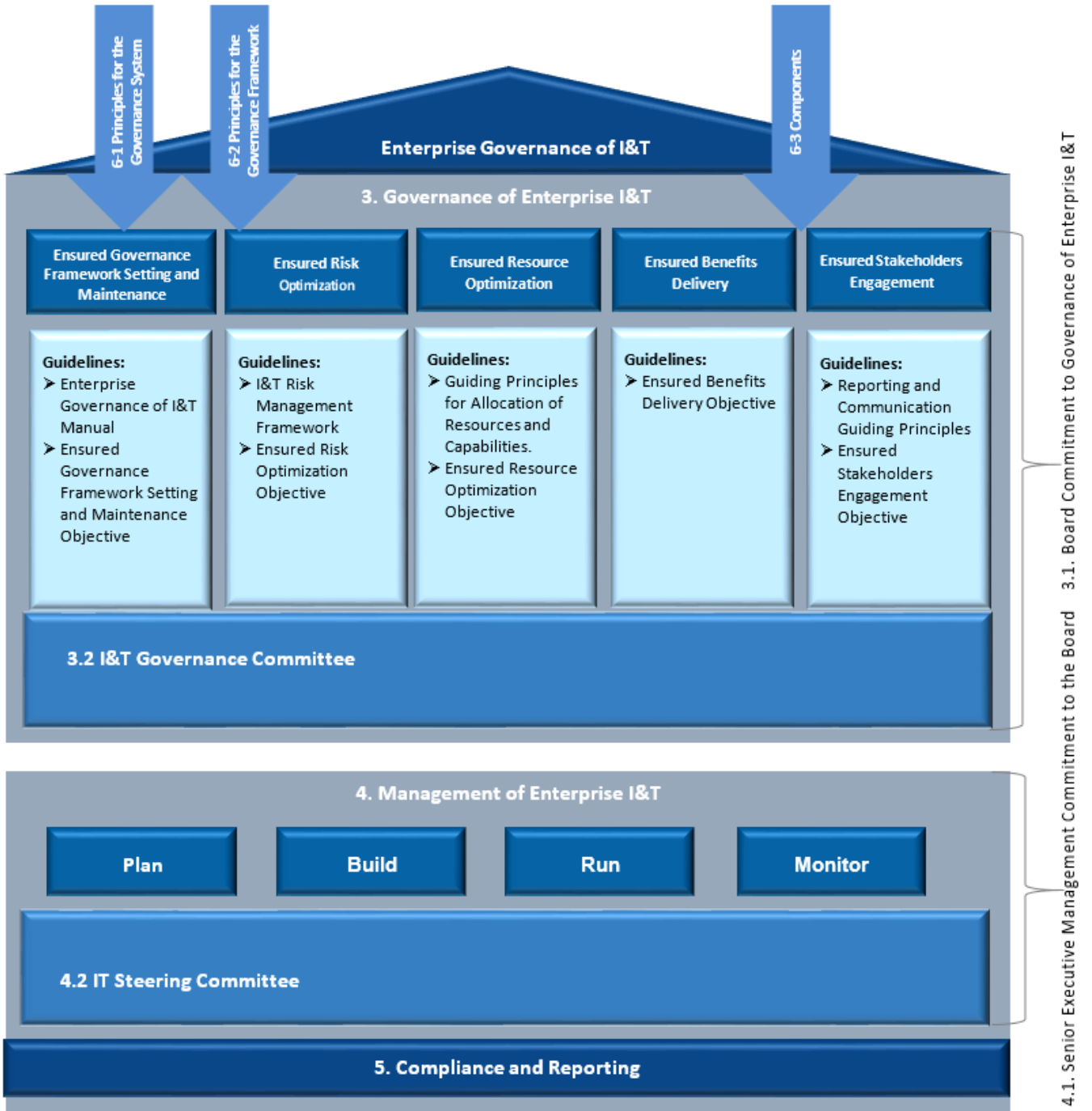
1. Ensure proper alignment between the Enterprise Goals and the alignment goals.
2. Meet stakeholders' needs of risk optimization, resources optimization and benefit realization.
3. Provide sufficient information and reports to support the decision-making process regarding the enterprise governance and management of I&T.
4. Achieve effective and prudent IT project management and IT resources management processes.
5. Develop technological infrastructure and information systems that enables the banks' business strategies
6. Optimize I&T risk management to ensure the necessary protection of the Bank's assets.
7. Comply with laws and regulations' requirements, internal controls and monitoring, and related policies and procedures.
8. Maximize end user's satisfaction level of IT services.
9. Manage third parties/vendors relationships.

# Section 2

## Enterprise Governance of I&T at Arab Bank

## 2. Enterprise Governance of I&T at Arab Bank

The following diagram represents the overall framework for the Enterprise Governance of I&T at Arab Bank:



Illustrative Graph (1): Overall Framework for AB EGIT

## **3. Enterprise Governance of I&T:**

### **3.1. Board Commitment to Enterprise Governance of I&T:**

Arab Bank's Board adopts a holistic approach to ensure proper Enterprise Governance of I&T. The board is accountable to Evaluate, Direct and Monitor (**EDM**) governance objectives; that entails the following:

1. Ensured Governance Framework Setting and Maintenance by endorsing the "I&T Governance and Management Manual" and achieving the related governance objective.
2. Ensured Risk Optimization by endorsing the "I&T Risk Management Framework" and achieving the related governance objective.
3. Ensured Resource Optimization by endorsing the "Guiding Principles for the Allocation of Resources and Capabilities" and achieving the related governance objective.
4. Ensured Benefits Delivery by endorsing the "Ensured Benefits Delivery Process" and achieving the related governance objective
5. Ensured Stakeholder Engagement by endorsing the "Reporting and Communication Guiding Principles" and achieving the related governance objective.

### **3.2. IT Governance Committee:**

The IT Governance Committee is established to support the Board of Directors in relation to Enterprise Governance of I&T.

**Scope and purpose:** The scope and purpose of the IT Governance Committee is to govern I&T activities in line with the bank's strategic direction and to ensure that the stakeholders' needs are met including benefit realization, risk optimization and resources optimization.

**Members:** The IT Governance Committee is comprised of three board members.

**Meeting Frequency:** The IT Governance Committee meets on at least a quarterly basis.

**The IT Governance Committee aims to achieve the following objectives:**

1. Ensure alignment of business and I&T strategic plans.
2. Nurture and manage innovation for the benefit of Arab Bank and its stakeholders.
3. Ensure the ecosystem and infrastructure is in place to enable appropriate service delivery.
4. Encourage transparency and effective program and project oversight.
5. Ensure independent audit over I&T activities.

**Roles and Responsibilities:**

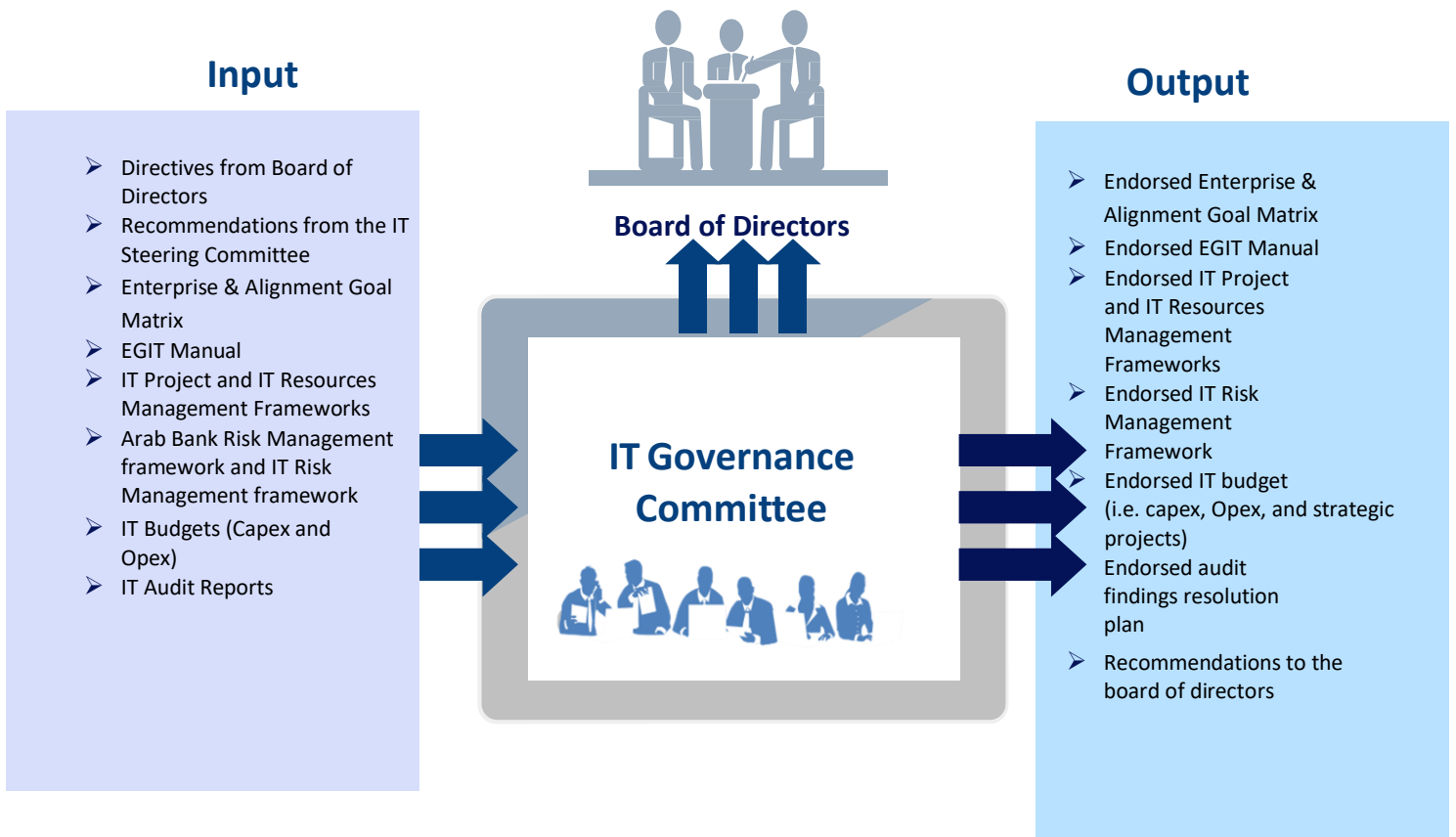
1. To endorse Enterprise / Alignment Goals Matrix and to define the related sub goals for the achievement of the Matrix.
2. To endorse the importance and priority of the Governance and Management Objectives and their relevance to the Enterprise Goals and Alignment Goals, in addition to their related Enablers/components. This endorsement should be based on an annual study that considers the design factors of COBIT 2019 framework guidance and align them to the bank's strategic direction.
3. To endorse I&T strategic goals and appropriate organizational structures including steering

committees at the Senior Executive Management level, specifically the IT Steering Committee, in a manner that fulfills and achieves strategic objectives and maximizes added value of I&T projects and investments. Further, utilize adequate tools and standards to monitor achievement of I&T strategic goals.

4. To endorse the management, control and monitoring framework for I&T projects and resources that aligns with the best acceptable international standards in that matter; and precisely COBIT 2019 Framework, in addition to having the framework in line with the Central Bank of Jordan's regulations.
5. To endorse the governance and management practices roles and responsibilities (i.e. RACI Charts), whereby individuals/parties initially (Responsible) to achieve the key processes are to be identified, individuals/parties ultimately (Accountable) to achieve the key processes are to be identified, of all processes are to be identified.
6. To ensure that an IT Risk Management Framework aligned with the Enterprise Risk Management (ERM) Framework is available.
7. To endorse budgets for IT strategic projects/initiatives and business as usual activities.
8. To monitor the IT operations, projects and resources to ensure alignment with business strategic goals and realization of expected benefits of the Bank.
9. To review the IT audit reports and ensure that corrective actions are implemented to close reported gaps.
10. To raise recommendations on corrective actions to the Board of Directors.



**The following diagram represents overview of the IT Governance Committee's typical inputs and outputs:**



**Illustrative Graph (2): IT Governance Committee Typical Inputs and Outputs**

## 4. Management of Enterprise IT:

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### 4.1. Senior Executive Management Commitment to the Board:

Senior Executive Management is responsible for implementing the Board's vision and strategy by:

1. Aligning, planning and organizing IT related goals and initiatives as per the Board's strategic direction and vision for business and IT.
2. Building, acquiring and implementing needed infrastructure, applications and services.
3. Running and maintaining the established business services.
4. Monitoring, evaluating, and assessing the performance and compliance of all the I&T related processes, practices and activities.

### 4.2. IT Steering Committee:

The IT Steering Committee is established to support the IT Governance Committee in relation to the Management of Enterprise I&T.

**Scope and Purpose:** The scope and purpose of the IT Steering Committee is to ensure business and I&T alignment, I&T resources, and I&T risk management optimization

**Members:** The IT Steering Committee is comprised of the following members:

- Chief Executive Officer (CEO) (chair of the committee);
- Deputy CEO (DCEO) (Deputy chair of the committee);
- Chief Operating Officer (COO);
- Chief Risk Officer (CRO);
- Head of Information Technology; and,
- Two observers, which include a Board member and Head of Internal Audit.

**Meeting Frequency:** The IT Steering Committee meets on a quarterly basis or as required.

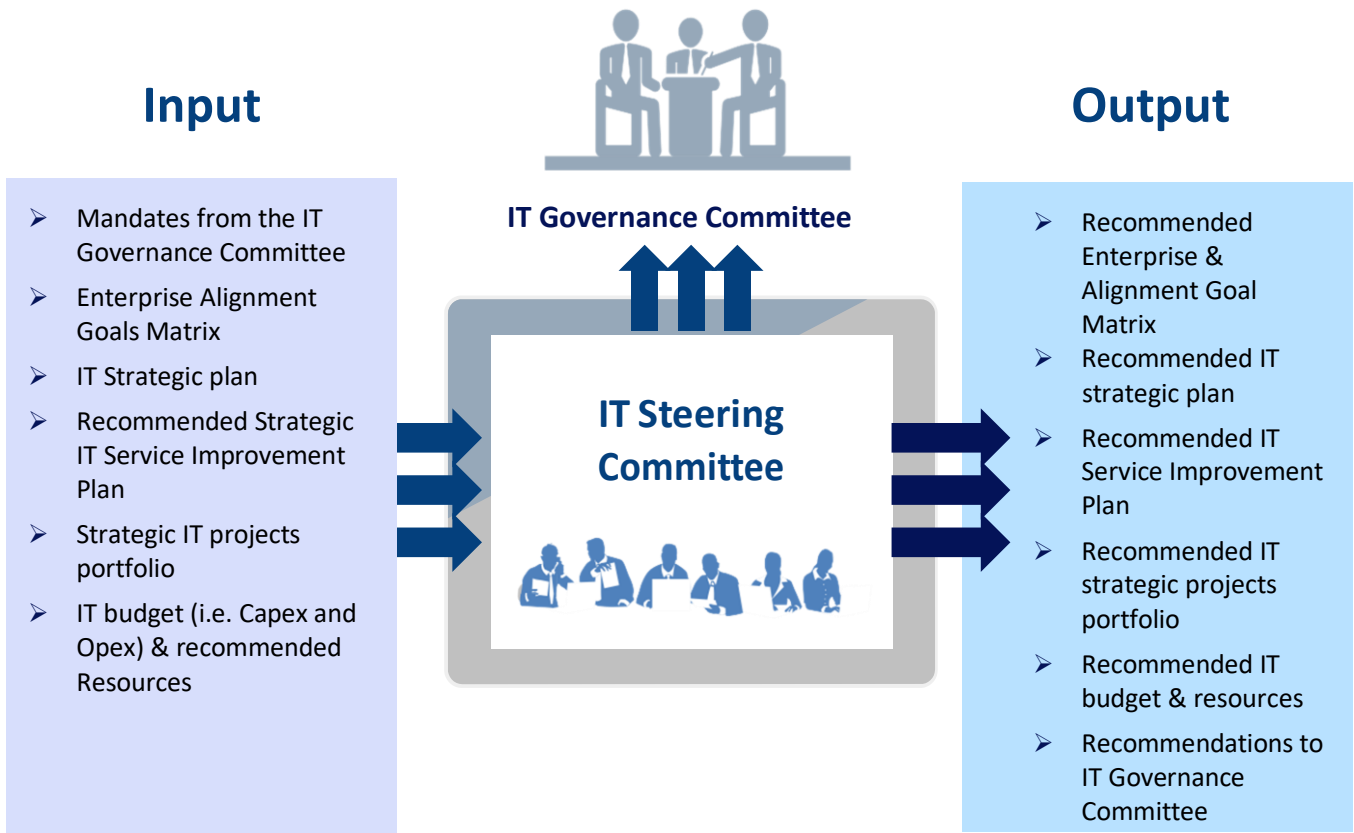
**The IT Steering Committee aims to achieve the following objectives:**

1. Ensure IT strategic goals are achieved.
2. Ensure IT programs/project are properly prioritized and executed in alignment with their business strategic purpose(s).
3. Optimize usage of I&T resources.
4. Optimize I&T risk management.

## Roles and Responsibilities

1. To review and recommend the importance and priority of the Governance and Management Objectives and their relevance to the Enterprise Goals and Alignment Goals, in addition to their related Enablers/components. This endorsement should be based on an annual study that considers the design factors of COBIT 2019 framework guidance and align them to the bank's strategic direction.
2. To establish annual plans required to achieve the bank's strategic objectives and to monitor the internal and external factors that may affect their completion.
3. To link the Enterprise Goals Matrix with the related Alignment Goals Matrix and endorse/regularly review the Enterprise Alignment Goals Matrix accordingly to ensure the achievement of the Bank's strategic objectives and Governance of Enterprise I&T objectives as well. In addition to the consideration of defining and reviewing related metrics and assign Senior Executive Management with the responsibility of the monitoring of these metrics on a continuous basis and to report to the committee of the metrics' status accordingly.
4. To recommend financial and non-financial resources required to achieve I&T governance objectives. In addition to the utilization of competent human resources through organizational structures that formulate required processes to support I&T governance objectives, while maintaining adequate segregation of incompatible duties and conflicts of interest. Further, to recommend the recruitment of the technological infrastructure and its related services to support I&T governance objectives achievement. Lastly, to monitor IT Governance related projects and processes.
5. To prioritize the annual IT programs and projects portfolio.
6. To monitor IT services performance and provide recommendations to continually improve its effectiveness and efficiency.
7. To raise necessary recommendations to the IT Governance Committee, on the following:
  - Allocation of resources and enablers to achieve I&T governance objectives.
  - Deviations that may adversely affect the achievement of strategic objectives.
  - Unacceptable I&T and IS risks.
  - Actions to enhance resources, projects and Information technology performance and compliance levels.
8. To report to the IT Governance Committee through formal minutes of meeting.

The following diagram represents overview of the IT Steering Committee's typical inputs and outputs:



Illustrative Graph (3): IT Steering Committee Typical Inputs and Outputs

## 5.Regulatory Compliance and Reporting

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### 5.1. Commitment to laws and regulations related to IT Governance processes objectives

The Board and Senior Executive Management are committed to ensure compliance with Central Bank of Jordan's regulation for the Enterprise Governance I&T (65/2016) & circular (984/6/10) dated 21/01/2019, as well as complying with the regulation-derived internal policies and procedures.

### 5.2. Annual Reporting

The Bank is committed to disclose the existence of the "Enterprise Governance of I&T Manual" within the Bank's annual report and to publish it on the Bank's website accordingly.

### 5.3. Internal & External Audit

- Internal and external risk-based IT audits shall be conducted in alignment with the CBJs Enterprise Governance of I&T I regulation (Regulation No: 65/2016) & circular dated 21/01/2019.
- Internal and external auditors shall comply with the latest version of IT Assurance Framework International Standard (ITAF) issued by ISACA.
- The Audit Committee and the external auditor shall provide the CBJ with the annual internal and external IT audit reports during the first quarter of every year.

## 6.Principles & Components

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### 6.1. Principles for the Enterprise Governance of Information & Technology System:

The core principles of Arab Bank's Governance System are built on the COBIT framework for EGIT:

1. **Provide stakeholder value:** value reflects a balance among benefits, risk and resources, and enterprises need an actionable strategy and governance system to realize this value.
2. **Governance distinct from management:** the governance system clearly distinguishes between governance and management activities and structures.
3. **End to end governance system:** focusing not only on the IT function but on the technology and information processing the enterprise puts in place to achieve its goals, regardless where the processing is located in the enterprise. Covering the enterprise end to end which requires the commitment of the Board and Management as follows:
  - The Board level via a stable IT governance system with the objective to achieve stakeholder needs.
  - The Management level via implementing Board level directions through the operation and execution of the agreed- on objectives and lastly reporting on the status of operation and execution activities to the Board level.
4. **Tailored to enterprise needs:** by using a set of design factors as parameters to customize and prioritize the governance system components and align them to the bank's strategic direction, to endorse the importance and priority of the Governance and Management Objectives and their relevance to the Enterprise Goals and Alignment Goals
5. **Dynamic governance system:** This means that each time one or more of the design factors are changed (e.g., a change in strategy or technology), the impact of these changes on the EGIT system must be considered. A dynamic view of EGIT will lead toward a viable and future-proof EGIT system.
6. **Holistic Approach:** A governance system for enterprise I&T is built from a number of components that can be of different types and that work together in a holistic way.
  - Principles, policies, and frameworks;
  - Processes;
  - Organization Structures;
  - Culture, Ethics, and Behavior;
  - Information;
  - Services, Infrastructure, and Applications; and,
  - People, Skills, and Competencies.

### 6.2. Principles for the Enterprise Governance of Information & Technology Framework

COBIT 2019 is the EGIT framework adopted by Arab Bank. The three principles for the governance framework are:

1. **Based on conceptual model:** identifying the key components and relationships among components, to maximize consistency and allow automation.
2. **Open and flexible:** allow the addition of new content and the ability to address new issues in the most flexible way, while maintaining integrity and consistency.
3. **Aligned to major standards,** frameworks and regulations.

## 6.3. Components of the Governance System

The following represents the key components that support Arab Bank's EGIT framework:

### **Component 1: Principles, Policies, and Frameworks**

The Board or delegated committees endorses "principles", "policies" and "frameworks" to achieve I&T Governance objectives and requirements. These Policies should be effective, efficient and should include compliance requirements related to improvement, updates, clarity, flexibility, completeness and alignment with international leading practices. Each policy should include information about the ownership, scope, update periods, access authorities, circulation requirements, objectives, responsibilities, associated procedures and disciplinary actions in case of non-compliance in addition to compliance review mechanisms.

### **Component 2: Processes**

The Board or delegated committees endorses governance and management objectives and processes to deliver its desired outcome.

### **Component 3: Organizational Structures**

The Board endorses Organizational Structures (hierarchies and committees) that meet with the requirements of I&T Governance objectives while maintaining adequate segregation of incompatible duties, ensuring independence, applying dual control, and maintaining up-to-date job descriptions.

### **Component 4: Culture, Ethics, and Behavior**

The Board or delegated committees endorses an enterprise code of conduct that reflects the professional and ethical rules in alignment with acceptable international behavior rules and it shall clearly state the desirable and undesirable behaviors and consequences of conduct. Further, the board employs diversified mechanisms to encourage desirable behaviors and to avoid undesirable behaviors.

### **Component 5: Information**

The Board or delegated committees endorses an information and reporting matrix and shall assign owners responsible to authorize access to these information/reports based on business needs. In addition to, ensure that information/reports are regularly updated to accommodate the enterprise objectives and processes improvement in alignment with international leading practices.

### **Component 6: Services, Infrastructure, and Applications**

The Board or delegated committees endorses appropriate services, infrastructure and applications matrix to support I&T governance processes and practices and shall ensure that the matrix is regularly updated and enhanced to accommodate the enterprise objectives and processes improvement in alignment with international leading practices

### **Component 7: People, Skills, and Competencies**

The Board or delegated committees endorses a competency matrix and human resources policies required to achieve governance and management objectives. The Senior Executive Management shall employ qualified human resources and qualify current human resources through training and continuous education programs to achieve the governance and management objectives and requirements. Further, Senior Executive Management ensures that annual cadres' performance evaluation mechanisms include objective key performance indicators that considers enterprise goals achievement.

# Section 3

## Appendices



## Appendix I: Definitions

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The following terms shall have the meanings respectively assigned to them herein below:

- 1. I&T Governance and Management:** A systematic approach towards structuring the alignment between business and I&T to achieve enterprise needs via optimizing resources, optimizing risks, and realizing benefits.
- 2. COBIT 2019:** COBIT is a good-practice business framework developed by ISACA (Information Systems Audit and Control Association) for the governance and management of I&T.
- 3. The Board:** The Board of Directors of the Bank.
- 4. Senior Executive Management:** Comprised of Chief Executive Officer (CEO), deputy CEO, Chief Financial Officer (CFO), Chief Operations Officer (COO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO), and Head of IT whereby this body is responsible for planning, building, running, and monitoring activities in alignment with the direction set by the governance body to achieve enterprise objectives.
- 5. IT Governance Committee:** A group of appointed individuals comprising of 3 board members that has the overall responsibility to govern Information and Technology activities and align them to the bank's strategic direction.
- 6. IT Steering Committee:** A group of appointed individuals comprising of the CEO (chair of the committee), DCEO, COO, CRO, Head of IT, and observers whom of which include one board member and Head of Internal Audit. This committee has the overall responsibility of providing recommendations, decision making, driving I&T related initiatives to ensure business and IT alignment, I&T resources and I&T risk management optimization.