
Abu Dhabi Islamic Bank PJSC (ADIB)

Group Internal Audit (GIA) Charter

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1. Purpose and Mission

The purpose of Abu Dhabi Islamic Bank's ("ADIB" or "the Bank") Group Internal Audit (GIA) function is to provide independent, objective assurance and consulting services to the Board of Directors and senior management of ADIB designed to add value and improve ADIB's operations.

GIA's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. GIA helps ADIB accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. GIA adopts a standardized audit approach in the execution of audits which are further detailed in the Internal Audit Manual.

2. Standards for the Professional Practice of Internal Auditing

GIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. Group Head of Audit will report periodically to the Board Audit Committee (BAC) regarding GIA's conformance to the Code of Ethics and Standards.

3. Organisational Position and Reporting Line

The Group Head of Audit reports functionally to the BAC and administratively to the CEO. To establish, maintain and assure that GIA has sufficient authority to fulfil its duties, the BAC will:

- a. Approve the GIA charter;
- b. Approve the risk based internal audit plan;
- c. Approve GIA budget and resource plan;
- d. Receive communications from the Group Head of Audit on GIA's performance relative to its plan and other matters. BAC shall assess, at least annually, the performance of the internal audit function. This shall include an independent external quality assurance review of GIA at least once every five years;
- e. Approve decisions regarding the appointment and removal of the Group Head of Audit;
- f. Approve the remuneration of the Group Head of Audit;
- g. The Group Head of Audit will communicate and interact directly with the BAC, including in executive sessions and between the BAC meetings as appropriate; and
- h. Consider and review the following matters with Executive Management and the Group Head of Audit:
 - Significant findings during the year and Management's responses to such findings;
 - Any difficulties encountered in the course of internal audits, including any restrictions to the scope of their work or access to required information; and
 - Make appropriate inquiries of management and the Group Head of Audit to determine whether there is any inappropriate scope or resource limitations.

Administrative Reporting of the Group Head of Audit

The Group Head of Audit's administrative reporting line to the CEO is limited to providing administrative support in the following areas:

- a. Oversight of GIA staff human resources issues including recruitment, development and retention of high quality GIA staff;
- b. Initiation of capital expenditures to support the mission of GIA;
- c. Information about guidelines on corporate budget and expense policies;

- d. Approval of expense report under ADIB Group policy and management of premises and other logistical requirements; and
- e. The CEO will from time to time work as a facilitator between GIA and the various bank divisions to ensure that Audit priorities as approved by the BAC, internal coordination and communications are effectively managed.

4. Authority

The Group Head of Audit will have unrestricted access to and communicate and interact directly with the BAC, including in private meetings without management present.

The BAC authorizes GIA to:

- a. Have full, free and unrestricted access to all functions (including outsourced activities), records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. GIA staff must respect confidentiality of information acquired in the course of their duties;
- b. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports;
- c. Obtain assistance from the necessary personnel of ADIB, as well as other specialized services from within or outside ADIB, in order to complete the engagement; and
- d. Be a member in any management level committees as an independent observer and have free and unrestricted access to all management and board committee minutes of meetings.

5. Co-sourcing

Given the evolving regulatory and business environment and the increasing complexity of the bank's activities, the Group Head of Audit can engage external Subject Matter Experts (SME) on a limited and targeted basis, where certain expertise/knowledge is not available in-house or due to resource constraints. The annual audit plan and operating budget will identify engagements where external SMEs are to be engaged. The Group Head of Audit is authorized to identify and engage external SMEs and monitor their performance.

The Group Head of Audit will preserve independence by ensuring that the SME or a firm has not been previously engaged in a consulting engagement in the same areas within the Bank, unless a "cooling off" period of one year has elapsed. In addition, the internal audit activities will not be outsourced to the external audit firm of ADIB.

In addition, GIA may invite ADIB staff members as guest auditors/reviewers to participate in audit/review engagements.

6. Independence and Objectivity

The Group Head of Audit will ensure that GIA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content. If the Group Head of Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

GIA staff will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made and that they do not subordinate their judgment on audit matters to others.

GIA staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not design, select, or implement internal control measures, develop

procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- a. Assessing specific operations for which they had responsibility within the previous year. Internally recruited GIA staff must not engage in auditing activities for which they have had previous responsibility before a “cooling off period” of one year;
- b. Performing any operational duties for ADIB and its subsidiaries and affiliates;
- c. Initiating or approving transactions external to GIA; and
- d. Directing the activities of any ADIB employee not employed by GIA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Group Head of Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- a. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- b. Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined;
- c. Make balanced assessments of all available and relevant facts and circumstances; and
- d. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Group Head of Audit will confirm to the BAC, at least annually, the organizational independence of GIA.

The Group Head of Audit will disclose to the BAC any interference and related implications in determining the scope of internal auditing, performing work and/or communicating results.

The Group Head of Audit shall promptly report to the Central Bank, on the violations of the Central Bank Law, regulations, instructions and any matters of significance. Further, notify the Central Bank of significant deviation from the board approved Compliance policies and Group Internal Audit Charter

7. Scope

The scope of GIA encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the BAC, management and outside parties on the adequacy, effectiveness and efficiency of the internal control system, risk management, compliance functions, governance systems and processes of the entire Group (ADIB, applicable Subsidiaries, Associates and Joint Ventures). Every activity, including outsourced activities and applicable entities controlled by the Group, shall fall within the scope of GIA.

GIA assessments include evaluating whether:

- a. Risks relating to the achievement of ADIB’s strategic objectives are appropriately identified and managed;
- b. The actions of ADIB’s officers, directors, employees and contractors are in compliance with ADIB’s policies, procedures, applicable laws, regulations and governance standards;
- c. The results of operations or programs are consistent with established goals and objectives;
- d. Operations, outsourcing, project and program management are being carried out effectively and efficiently;
- e. Credit and investment portfolios are adequately managed, in line with the approved risk appetite, policy and framework;

- f. Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact ADIB. Shari'a Compliance is reviewed by the Internal Shari'a Audit Division during Shari'a Audits;
- g. Technology, Information security and Cyber security risks are adequately identified and managed;
- h. Information and the means used to identify, measure, analyze, classify and report such information are reliable and have integrity;
- i. Resources and assets are acquired economically, used efficiently and protected adequately; and
- j. There is adequate governance, risk management and control over significant mergers, acquisitions, consolidations and divestitures, development of new products and services, operations processes and control and risk management processes coincident with their development, implementation and/or expansion. The senior management must inform the internal audit function on a timely basis of any changes to ADIB's risk governance framework.

The Group Head of Audit will report periodically to the BAC and CEO (as applicable) regarding:

- a. GIA's purpose, authority, responsibility and all matters related to GIA's performance of mandates described in this charter;
- b. GIA's plan and performance relative to its plan;
- c. GIA's conformance with The IIA's Code of Ethics and Standards and action plans to address any significant conformance issues;
- d. Significant emerging and crystalized risk exposures and control issues, including fraud risks, governance issues and other matters requiring the attention of, or requested by, the BAC;
- e. Results of audit engagements or other activities;
- f. Resource requirements; and
- g. Any response to risk by management that may be unacceptable to ADIB.

8. Coordination with Assurance Providers

The Group Head of Audit also coordinates activities, where possible and considers relying upon the work of other internal and external assurance and consulting service providers as needed. This includes external auditors and ADIB second line of defence functions.

GIA interacts with other control functions and aligns its audit approach and coverage as appropriate. GIA also coordinates with External Audit through periodic interactions and shares required information to enable appropriate audit coverage and avoid any duplication where possible.

9. Advisory and Consulting Services

GIA may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided that GIA does not assume management responsibility and the activity does not impact its independence. Group Head of Audit can decide on accepting request for a consulting engagement subject to terms and conditions.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

10. Responsibility

The Group Head of Audit has the responsibility to:

- a. Submit, annually, to the BAC a risk-based audit plan for review and approval, after feedback from the CEO (if any);
- b. Communicate to CEO and the BAC the impact of resource limitations on the audit plan;

- c. Review and adjust the audit plan, as necessary, in response to changes in ADIB's business, risks, operations, programs, systems and controls;
- d. Communicate to CEO and the BAC any significant interim changes to the internal audit plan;
- e. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- f. Follow up on engagement findings and corrective actions, and report periodically to CEO and the BAC any corrective actions not effectively implemented;
- g. Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld;
- h. Ensure GIA collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the GIA charter;
- i. Ensure trends and emerging issues that could impact ADIB are considered and communicated to CEO and the BAC as appropriate;
- j. Ensure emerging trends and successful practices in internal auditing are considered;
- k. Establish and ensure adherence to policies and procedures designed to guide GIA;
- l. Ensure adherence to ADIB's relevant policies and procedures, unless such policies and procedures conflict with the GIA charter. Any such conflicts will be resolved or otherwise communicated to CEO and the BAC; and
- m. Ensure conformance of GIA with the Standards. However, if GIA is prohibited by law or regulation from conformance with certain parts of the Standards, the Group Head of Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards. If the Standards are used in conjunction with requirements issued by regulatory bodies, the Group Head of Audit will ensure that GIA conforms with the Standards, even if GIA also conforms with the more restrictive requirements of regulatory bodies.

11. ADIB Subsidiaries, Associates and Joint Ventures

The Group Head of Audit shall define GIA's scope and approach for the local and the international financial and non-financial services Subsidiaries, Associates and Joint Ventures. The approach could include GIA providing internal audit services to the Subsidiaries, Associates or Joint Ventures; obtaining periodic internal audit related updates from the Subsidiaries, Associates or Joint Ventures etc.

12. Quality Assurance and Improvement Program

GIA will maintain a quality assurance and improvement program that covers all aspects of the internal audit. The program will include an evaluation of GIA's conformance with the Definition of Internal Auditing and Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of GIA and identifies opportunities for improvement. The program will include both internal (ongoing and periodic) and external assessment (conducted at least once in every five years).

Group Head of Audit shall report the results of internal assessments, necessary action plans and their successful implementation to BAC and the CEO on an annual basis. The external assessment report will be reported to the BAC and CEO accompanied by a written corrective action plan in response to significant comments and recommendations contained in the report.

13. GIA Charter

GIA Charter shall be reviewed at least every three years by the Group Head of Audit and approved by the BAC. The Charter shall be made available both internally in the bank's intranet and publicly on the bank's internet website.

14. Approval

This GIA Charter was approved by the BAC in the meeting held on July 28, 2021.