



2022

AUDIT COMMITTEE CHARTER

1. Purpose

The primary purpose of the **Audit Committee** is to provide oversight of the financial reporting process, the **audit** process, the company's system of internal controls and compliance with laws and regulations, through:

- 1.1 Monitoring the quality and integrity of financial statements and any formal announcements relating to financial performance.
- 1.2 Reviewing the audit and internal control systems currently in place to ensure they remain sound and fit for purpose.
- 1.3 Receiving and considering reports and recommendations from Internal Audit, External Audit and Management.
- 1.4 Compliance with laws and regulations, whistleblowing and fraud;
- 1.5 Making recommendations to the Board in respect of financial reporting and in relation to the appointment, re-appointment and removal of the external auditor and approval of the remuneration and terms of employment of the Chief Internal Audit Officer.
- 1.6 From a fixed pay perspective, recommending changes to the Chief Internal Auditor's remuneration and recommending the same to the Board Remuneration Committee. From a performance and variable pay perspective, assessing the performance of the Chief Internal Auditor including his/her KPIs, annual performance rating and annual bonus amount and recommend the same to the Board Remuneration and Nomination Committee.
- 1.7 Monitoring and reviewing the effectiveness of the internal audit function.
- 1.8 Reviewing the internal and external auditor's independence and objectivity.

2. Composition

- 2.1 The Committee shall comprise at least three, and no more than five members, who collectively have experience in audit practices, financial reporting and accounting. All members should be non-executive independent members of the Board.
- 2.2 At least one member should be a member of the Board Risk Committee. The Committee members and its Chairman shall be appointed by the Board and the Chairman of the Board shall not be a member of the Committee.
- 2.3 A former partner or executive of the external auditor charged with the audit of the Bank's account may not be a member of the Audit Committee for a term of one year from the expiry date of his/her partnership capacity or employment capacity or any financial interest in the external audit firm.

- 2.4 The Audit Committee may invite the Board Chairman, Chief Executive Officer, senior management, the Internal and External Auditors and other personnel whom it deems necessary to attend its meetings. However, the Chief Executive Officer, Chief Financial Officer and the Chief Internal Audit Officer shall be regular attendees of Committee meetings.

3. Meetings

- 3.1 The Committee will meet at least every quarter or as required.
- 3.2 The Committee shall meet if the Committee Chairman convenes a meeting or if two Committee members request that a meeting be called. The Chair must call a meeting when requested to do so by any member of the Committee, the statutory auditor, the Chief Internal Audit Officer, the Board Chair, the Chief Executive Officer, the Chief Financial Officer or the Chief Legal Officer;
- 3.3 Committee papers will be provided to members a minimum of 5 days prior to the meeting.

4. Quorum

The presence of a majority of members shall constitute a quorum at any meeting. All matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of members present. In the event of a tie, the Chairman shall have a casting vote. Under exceptional circumstances the Committee may consider an item by circulation of papers. However, attendance by proxy shall not be considered.

5. Duties and Responsibilities

Financials

- 5.1 The Committee, assisted by the Chief Financial Officer and the statutory auditors, shall monitor the integrity of the financial statements of the Group including its annual and quarterly reports, significant financial reports to regulators and any other formal announcement relating to its financial performance;
- 5.2 In particular, the Committee shall review and challenge where necessary the application of significant accounting policies and any changes to them; the methods used to account for significant or unusual transactions where different approaches are possible; whether the Bank has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the External Auditor's views on the Financial Statements; and all material information presented with the Financial Statements.
- 5.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Bank, it shall report its views to the Board.

- 5.4 The Committee shall review and make recommendations to the Board on the credit impairment procedures and accounting treatments for impairment. The Committee shall also consider impairment levels based on reviews undertaken by the Board Executive Committee.

Internal Audit

- 5.5 Provide prior endorsement for the appointment or renewal of the Chief Internal Audit Officer.
- 5.6 Review and approve the role and mandate of Internal Audit, to include monitoring and reviewing the effectiveness of its work.
- 5.7 Review and approve the Internal Audit Charter at least every three years;
- 5.8 Review and approve the annual Internal Audit Plan to ensure it is aligned to the key risks of the business and receive regular reports on the work carried out.
- 5.9 Ensure Internal Audit has the necessary resources and access to information to enable it to fulfil its mandate.
- 5.10 Promote the independence of the Internal Audit function and allow the Chief Internal Audit Officer full and unrestricted access to the Board/Board Audit Committee in order to provide independent assurance on the quality and effectiveness of the Bank's internal controls, risk management, compliance, corporate governance, and the systems and processes created by the business units, support and control functions.
- 5.11 Meet the Chief Internal Audit Officer at least once a year, without Senior Management being present, to discuss the remit of the Internal Audit function and any issues arising from the internal audits carried out;
- 5.12 Review reports submitted to the Committee by the Chief Internal Audit Officer and monitor management's response and actions to the findings and recommendations.
- 5.13 Timely review of high risk Internal Audit issues that were risk accepted by Management.
- 5.14 Review of Management requests for extension of resolution dates for High risk Internal Audit findings. Opine on any disagreements between Management and the Chief Internal Audit Officer for extensions to Medium risk Internal Audit findings.

External Audit

- 5.15 Consider and make recommendations to the Board, to be put to Shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Bank's External Auditor.
- 5.16 Develop and oversee the selection procedure for the appointment of the Audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.

- 5.17 Review the findings of the Audit with the External Auditor. This shall include but not be limited to, the following:
- (i) A discussion of any major issues which arose during the audit.
 - (ii) The Auditor's explanation of how the risks to audit quality were addressed.
 - (iii) Key accounting and audit judgements.
 - (iv) The Auditor's view of their interactions with senior management; and levels of errors identified during the Audit.
 - (v) Review the management letter and management's response to the Auditor's findings and recommendations to include the handling of key judgements by the Auditor, and the Auditor's response to questions from the Committee.

Compliance with Islamic Shari'ah Governance Standards

- 5.18 Effectiveness of CBD Al Islami governance systems and policies (approved by the Internal Shari'ah Supervision Committee (ISSC)) designed to monitor compliance of the IFI with Islamic Shari'ah;
- 5.19 Assess the effectiveness and adequacy of internal Shari'ah audit and its contribution in ensuring the CBD Al Islami's compliance with Islamic Shari'ah. The responsibility includes the following:
- (i) Assess the independence, effectiveness and adequacy of the internal Shari'ah audit scope and programs;
 - (ii) Review the reports prepared by the internal Shari'ah audit division or section to ensure that all necessary measures have been undertaken;
 - (iii) Facilitate the work of the internal Shari'ah audit division or section;
 - (iv) Hold regular meetings with the Head of internal Shari'ah audit division or section twice a year, at a minimum.
- 5.20 Review the scope, results, and adequacy of the external Shari'ah audit review which includes the following responsibility:
- (i) Facilitate the work of the external Shari'ah auditor;
 - (ii) Review the reports prepared by external Shari'ah auditor to ensure that senior management have taken all necessary measures in this regard;
 - (v) Hold meetings with the external Shari'ah auditor with a minimum of one meeting per financial year.
- 5.21 The Committee shall invite a member of the ISSC to attend the meetings when discussing the internal Shari'ah audit report to ensure compliance of CBD Al Islami with the resolution of the ISSC concerning the report. The Committee and the member of ISSC are not authorized to change the ISSC's resolution in this regard.

6. The Committee's Authority

The Committee operates under the delegated authority of the Board of Directors.

- 6.1 The Audit Committee has the authority to monitor and review external and internal audit activities for the Bank and all its Subsidiaries.
- 6.2 Have unrestricted access to members of management, other employees and all relevant information.
- 6.3 Meet with the Bank's officers, External Auditors, Internal Auditors or outside counsel, as necessary.
- 6.4 Obtain external legal, or other professional, advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.
- 6.5 Appoint, compensate, and oversee the work of any registered professional firm (legal, auditing, consulting etc.) employed by the Bank to support the Committee in undertaking work on matters within this charter. The firm will report directly to the Audit Committee.
- 6.6 Investigate or commission an external agency to investigate any cases or allegations of fraud, ethical misconduct and other irregularities against any person in the Bank and its subsidiaries.

7. Minutes of committee meetings

- 7.1 The minutes of the Committee's meetings shall be kept by the Board Secretary.
- 7.2 Draft minutes will be circulated to Committee members within 1 week of the meeting. Committee members shall provide their comments on the minutes to the Board Secretary within 2 weeks of circulation. Minutes shall be deemed approved if no comments are received within this timeframe.
- 7.3 Minutes of meeting are to be signed by all attending Committee members.
- 7.4 Final versions of minutes are to be disseminated to Committee members after approval.

8. Reporting responsibilities

- 8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, and shall also formally report to the Board on how it has discharged its responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall in the Bank's Annual Report ensure that an explanation is set out on how the Committee has addressed the effectiveness of the External Audit process; the significant issues that the Committee considered in relation to the financial statements and

how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Governance Code.

9. Co-ordination with other Committees

Work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees; and arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness, and recommend to the Board any changes it considers necessary.

Version	Approval Authority	Approval Date	Key Amendments
1.0	Board of Directors	28.07.2021	New Revamped Version to comply with the Governance Regulations
1.1	Audit Committee	01.03.2022	<ul style="list-style-type: none"> Inclusion of points 5.10, 5.11, 5.13 and 5.14. Amending 1.6 to include points on fixed pay, performance and bonus remuneration of the Chief Internal Auditor.