

Internal Audit Charter

Approving Governance Authority: Board Audit and Compliance Committee

Effective Date: 02/10/2024

Confidential

Internal Audit Department

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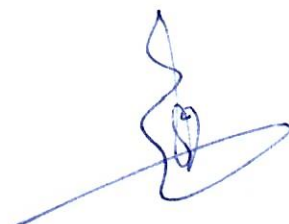
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Note: Previous Internal Audit Charter was approved by the BACC in the meeting held on 16/06/2022. This charter document is reviewed and revised based on the Institute of Internal Auditors recently issued model internal audit charter and guide to customize internal audit charter to be in line with the new Global Internal Audit Standards.



Internal Audit Charter for Invest Bank (IB)

1. INTRODUCTION

In compliance with UAE Central Bank (UAE CB) Regulations and Standards, the Board of Directors (BOD) of Invest Bank (IB, the Bank) has established an independent, permanent, and effective internal audit function commensurate with the size, nature of operations, complexity, and risk profile of the bank. Additionally, the BACC will also ensure that the Internal Audit function has sufficient and competent staff who collectively have the appropriate experience to understand and evaluate all the business activities, support, and control functions of the Bank.

On 9 January 2024 the Global Institute of Internal Auditors published the Global Internal Audit Standards (GIAS). These will come into effect in January 2025. The GIAS are structured into 5 core Domains covering 15 principles and 52 detailed standards. The Standards are not just relevant to the Internal Audit Function, but they impact the whole organization. This means the Board, Board Audit and Compliance Committee, Internal Audit Function and Senior Management need to work together to capture the opportunities the new Standards bring. These include better stakeholder alignment, more effective auditing of important risks, increased efficiency and risk coverage, additional insights, and value to the business. This revised Internal Audit Charter is primarily based on the requirements of these GIAS and Customized to the Model Internal Audit Charter and the related guide issued by the Institute of Internal Auditors (IIA) for this purpose.

Internal Audit function in the Bank is an independent, objective assurance and advisory service designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Governance, Risk Management, and Control processes.

The internal audit function in the Bank is a group of professional auditors (supported by Co-sourced partners) responsible for providing the Bank with Assurance and Advisory services.

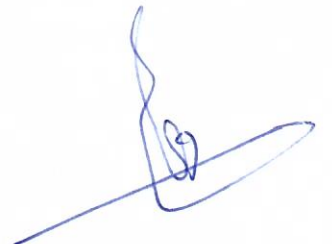
The Internal Audit Function plays a critical role in enhancing the Bank's ability to serve the public interest. While the primary function of internal auditing is to strengthen Governance, Risk Management, and Control processes, its effects extend beyond the organization. Internal Audit Function contributes to the Bank's overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting, compliance with laws and/or regulations, safeguarding of assets, and ethical culture. This, in turn, fosters public trust and confidence in the Bank and the broader systems of which it is a part.

2. PURPOSE

The purpose of the internal audit function is to strengthen IB's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances IB's:

- Successful achievement of its objectives;
- Governance, risk management, and control processes;
- Decision-making and oversight;
- Reputation and credibility with its stakeholders; and
- Ability to serve the public interest.



IB's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board Audit and Compliance Committee (BACC).
- Internal auditors are free from undue influence and committed to making objective assessments.

3. COMMITMENT TO ADHERING TO THE GLOBAL INTERNAL AUDIT STANDARDS

The IB's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Officer (CAO) will report [periodically at least annually] to the Board Audit and Compliance Committee and CEO regarding the internal audit function's conformance with the Standards, which will be assessed through a Quality Assurance and Improvement Program (QAIP).

4. MANDATE

The Internal Audit Department's mandate is derived from the adherence to the Global Internal Audit Standards and UAE CB Regulations and Standards (161/2018) on Internal Controls, Compliance, and Internal Audit. Additionally, the internal audit function is functioning under the overall Corporate Governance framework of the Bank and the Board / Board Audit and Compliance Committee directions. The CAO and the Internal Auditors will not act beyond this mandate under any circumstances.


5. AUTHORITY

The IB's Board Audit and Compliance Committee (BACC) grants the internal audit function the mandate to provide the BACC and Senior Management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the BACC. Such authority allows for unrestricted access to the BACC.

The BACC authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives. CAO may decide to outsource certain internal audit activities on a limited and targeted basis to provide access to specialized expertise and knowledge for an internal audit engagement where the expertise is not available in house, or due to resource constraints.
- Obtain assistance from the necessary personnel of IB and other specialized services from within or outside the Bank to complete internal audit services.
- 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. This should be safeguarded against possible impairment of independence and objectivity of the Internal Audit function either in face or in appearance.
- In specific circumstances, IAD may be requested to communicate internal audit reports to stakeholders and third parties outside the Bank. Such circumstances are limited to:



- External Auditors, as part of performing the external audit services for the Bank.
- Central Bank of the U.A.E, upon request for submission and compliance with Regulations and Standards of reporting "Matters of Significance".
- Government agencies and authorities (if specifically requested).
- Reporting Matters of Significance to Central Bank of the UAE: The CAO 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 Internal Audit Charter.

6. INDEPENDENCE, ORGANIZATIONAL POSITION, AND REPORTING RELATIONSHIPS

The CAO will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The CAO will report functionally to the BACC and administratively (for example, day-to-day operations) to the Chief Executive Officer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the BACC, when necessary, (without interference) and supports the internal auditors' ability to maintain objectivity.

The CAO will confirm to the BACC, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the CAO will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAO will disclose to the BACC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

ADMINISTRATIVE REPORTING TO THE CEO

The administrative reporting line to the highest-ranking person in Senior Management, such as the chief executive officer is limited to: (a) to support day-to-day activities and (b) establish the status and authority necessary to ensure the results of the internal audit services are given due consideration:

- Initiation of capital expenditures to support the mission of IAD;
- Information about guidelines on corporate budget and expense policies;
- Approval of expense report under bank policy, management of premises / logistical requirements;
- Approving annual leave;

7. CHANGES TO THE MANDATE AND CHARTER

Circumstances may justify a follow-up discussion between the CAO, BACC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the CAO, BACC, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.



8. BOARD AUDIT AND COMPLIANCE COMMITTEE OVERSIGHT

Positioned Independently

The BACC establishes and protects the internal audit function's independence and qualifications. The Board of Directors mandated the BACC (through approved BACC's Charter) to oversight the Internal Audit Function, protects the internal audit function's independence and qualifications.

The BACC is responsible for enabling the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner. The internal audit function is only able to fulfill the Purpose of Internal Auditing when the CAO reports directly to the Board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.

To establish, maintain, and ensure that IB's internal audit function has sufficient authority to fulfill its duties, the BACC will:

- a) Discuss with the CAO and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- b) Ensure the CAO has unrestricted access to and communicates and interacts directly with the BACC, including in private meetings without senior management present.
- c) Discuss with the CAO and Senior Management other topics that should be included in the internal audit charter.
- d) Participate in discussions with the CAO and Senior Management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- e) Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- f) Review the internal audit charter [periodically at least annually] with the CAO to consider changes affecting the organization, such as the employment of a new CAO or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually
- g) Approve the risk-based internal audit plan.
- h) Approve the internal audit function's human resources administration and budgets.
- i) Approve the internal audit function's expenses.
- j) Collaborate with senior management to determine the qualifications and competencies the organization expects in a CAO, as described in the Global Internal Audit Standards.
- k) Authorize the appointment and removal of the CAO.
- l) Approve the remuneration of the CAO.
- m) Approve the CAO's performance.
- n) Oversight the performance evaluation of the staff members of the internal audit function to safeguard their independence and objectivity.
- o) Receive communications from the CAO about the internal audit function including its performance relative to its plan.
- p) Ensure a quality assurance and improvement program has been established and review the results annually.
- q) Make appropriate inquiries of senior management and the CAO to determine whether scope or resource limitations are inappropriate.



9. CHIEF AUDIT OFFICER ROLES AND RESPONSIBILITIES

9.1 Ethics and Professionalism

The CAO will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAO will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAO determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to the BACC.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for IB or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any IB employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CAO, BACC, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

9.2 Managing the Internal Audit Function

The CAO has the responsibility to:

- Develop and maintain the internal audit charter. The CAO shall periodically (at least annually) review the Charter to ensure it remains accurate and up-to-date and confirm this annually to the BACC. Any proposed amendments to the Charter are subject to the formal approval of the BACC.
- At least annually, develop a risk-based internal audit plan that considers the input of the BACC and Senior Management. Discuss the plan with the BACC and Senior Management and submit the plan to the BACC for review and approval.



- c) Communicate the impact of resource limitations on the internal audit plan to the BACC and senior management.
- d) Review and adjust the internal audit plan, as necessary, in response to changes in IB's business, risks, operations, programs, systems, and controls.
- e) Communicate with the BACC and Senior Management if there are significant interim changes to the internal audit plan.
- f) Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- g) Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the BACC and Senior Management [periodically at least quarterly] and for each engagement as appropriate.
- h) Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- i) Identify and consider trends and emerging issues that could impact IB and communicate to the BACC and senior management as appropriate.
- j) Consider emerging trends and successful practices in internal auditing.
- k) Establish and ensure adherence to methodologies designed to guide the internal audit function.
- l) Ensure adherence to IB's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the BACC and Senior Management.
- m) Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAO cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the BACC.
- n) Delegation: The CAO may delegate appropriate responsibilities to other qualified professionals in the internal audit function but retains ultimate accountability.

9.3 Communication with the BACC and Senior Management

The CAO will report [periodically at least quarterly] to the BACC and senior management regarding:

- a) The internal audit function's mandate.
- b) The internal audit plan and performance relative to its plan.
- c) Internal audit budget.
- d) Significant revisions to the internal audit plan and budget.
- e) Potential impairments to independence, including relevant disclosures as applicable.
- f) Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- g) Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board Audit and Compliance Committee.
- h) Results of assurance and advisory services.
- i) Resource requirements.
- j) Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond IB's risk appetite.



9.4 Quality Assurance and Improvement Program

The CAO will develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the CAO will communicate with the BACC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Bank, qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

10. SENIOR MANAGEMENT

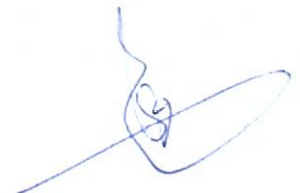
- a) Participate in discussions with the BACC and CAO and provide input on expectations for the internal audit function that the BACC should consider when establishing the internal audit mandate.
- b) Communicate with the BACC and CAO about management's expectations that should be considered for inclusion in the internal audit charter.
- c) Additionally, the Senior Management are specifically required by the UAE CB to:
 - Respect and promote the independence of Internal Audit function by ensuring that internal audit report provided to the Board and the Board Audit and Compliance Committee without management filtering and that the Internal Audit function has direct access to the Board Audit and Compliance Committee.
 - Senior Management must inform the internal audit function on a timely basis of any changes to the Bank's, or if applicable, Group's, risk governance framework.
 - Senior Management is responsible for implementing and maintaining an adequate and effective internal control system and processes.
 - Senior Management must ensure that timely and appropriate actions have been taken on all Internal Audit findings and recommendations.

11. ROLE OF INTERNAL AUDIT IN RELATION TO FRAUD RISK MANAGEMENT

It is not internal audit's direct responsibility to prevent happening of fraud within the business. This is the responsibility of management as the first line of defence and Investigation & Fraud Risk Unit (under Riks Management Department) as 2nd line of defence. Management should have robust internal control procedures to manage the risk of fraud and internal audit's role is to assess the adequacy and effectiveness of these controls in prevention and detection of fraud.

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization. It should consider specific risks related to fraud is present within the business and respond appropriately by auditing the controls of that area, evaluating the potential for occurrence of fraud and how the organization manages fraud through risk assessment, and audit planning.

Internal auditors may perform fraud investigation based on the instruction and approval from the BACC and CEO as appropriate. However, internal auditors will not investigate fraud unless they have the specific experience, skills and tools required to do so.



12. SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The primary role of the internal audit function is to conduct internal audit activities and deliver internal audit services including Assurance and Advisory services. The scope of internal audit services covers the entire breadth of the organization, including all IB's activities including those outsourced, assets, portfolios, and personnel. The coverage areas will be documented in the Internal Audit Universe. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the BACC and Management on the adequacy and effectiveness of governance, risk management, and control processes for the Bank.

Assurance Services:

The Assurance Services are mainly achieved by carrying out risk based annual audit plan that is based on a documented risk assessment of the Bank's strategies, objectives, and risks. The assessment must be performed annually with input from the BACC and Senior Management. The annual audit plan is executed by the in-house resources and Co-sourced partners.

Advisory Services:

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

The internal audit function may perform Advisory Services through which internal auditors provide advice to the Bank's stakeholders without providing assurance. CAO can decide on accepting request for an advisory engagement subject to terms and conditions and availability of required resources.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of IB's strategic objectives are appropriately identified and managed.
- The actions of IB's officers, Management, employees, and contractors or other relevant parties comply with IB's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact IB.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Ad-hoc and Unplanned Assignments

As a general rule internal audit performs an ad-hoc and unplanned audit assignments only on exceptional circumstances and only at the request of the BACC, Board through the BACC, and the CEO. Specific man-days are allocated for handling the Ad hoc and unplanned audit assignments.

The IAD may, on a written decision of the BACC or the CEO, carry out ad-hoc assignments on specific issues. Assignment of an ad hoc task by the BACC or the CEO is non-delegable. IAD cannot perform any ad-hoc task by itself without authorization of BACC or the CEO. If CAO considers an immediate necessity for the examination of an activity/issue, which was not planned before, he shall apply to the BACC or CEO in writing for the necessary authorization with the documented proof of the request in terms of necessity, urgency, associated risk, and the targeted achievement. In case the approval is granted by the BACC, the CEO shall also be informed if appropriate. Any ad-hoc and unplanned audit assignments requested by management, which will require more than 5 working days would be subject to BACC's approval.



APPROVALS

Approved by the Board Audit and Compliance Committee at its meeting on [].

Prepared By:

Internal Audit Department



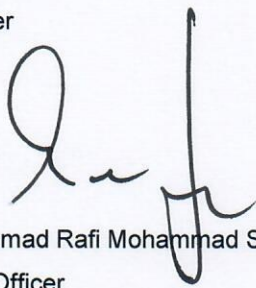
Abdulhakim. Kannan

Chief Audit Officer

2/10/2024

Date

Concurred By:



Mr. Edris Mohammad Rafi Mohammad Saeed Al Rafi

Chief Executive Officer

2/10/2024

Date

Approved By Board Audit and Compliance Committee Members:

Ms. Halima Humaid Ali Al Owais

Member Board Audit and Compliance Committee

2-10-2024

Date

Mr. Farooque Ahmed Tunekar

Member Board Audit and Compliance Committee

02/10/2024.

Date

Mr. Faris Hmaid Trais Saeed Al Mazrouei

Chairman Board Audit and Compliance Committee

02/10/2024

Date

Note: Board Audit Committee (BAC) has been renamed as Board Audit and Compliance Committee (BACC) with effect from 27th August 2024 and holds the same meaning.