



Internal Audit Charter

Version 7.0

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1.1 Introduction

The Board of Directors (the Board) of British Arab Commercial Bank plc ('the Bank' or 'BACB') has established a Board Audit Committee (BAC), comprising of members of the Board, to assist in effectively discharging its responsibilities. The Board has established an outsourced Internal Audit (IA) function as a key component of the corporate governance framework.

This IA Charter outlines the mandate, position, reporting and scope of work of the Bank's IA function.

1.2 Purpose and Mandate

The primary purpose of IA is to help the Board and senior management to protect the assets, reputation and sustainability of the Bank. It does this by:

- Providing independent, risk-based and objective assurance, advice, insight and foresight.
- Assessing whether all significant risks are identified and appropriately reported by management to the Board and senior management.
- Evaluating whether the organisation is adequately controlled.
- Challenging and influencing senior management to improve the effectiveness of governance, risk management and internal controls, including identifying efficiencies and removing duplicative and/ or redundant controls.

1.3 Scope

IA's scope is unrestricted and covers all BACB's activities (including outsourced activities) and representative offices. IA takes a systematic approach to evaluating the organisation's governance, risk management and control processes. IA will take a risk-based approach as to which areas within its scope should be included in the internal audit plan.

Internal audit plans, including significant changes, will be approved by the BAC. The scope of internal audit's work will be regularly reviewed to take account of new and emerging risks. Areas to consider as part of an annual IA plan will include reviewing the internal governance structures and processes of the organisation, as well as considering areas such as Financial Crime, Technology and Data Risks, Prudential risk.

IA can also, where appropriate, undertake advisory services, at the request of the Audit Committee, senior management or regulators.

IA will coordinate activities with other internal and external providers of assurance, as well as other control and monitoring functions, to ensure appropriate coverage and to minimise duplication of efforts.

IA will remain alert to indications of fraud and weaknesses in internal control, which would permit fraud to occur, and will undertake specific fraud-related work where appropriate, and when requested to do so by the Audit Committee, senior management or regulators.

1.4 Authority

The IA function of BACB derives its authority from the Board through the Audit Committee. The Bank's IA department reports functionally to the Chair of the Audit Committee and administratively to the Chief Executive Officer (CEO) to support the day-to-day operations of the IA function. This reporting structure enables IA to have the right standing, access and authority and to maintain independence.

The IA team is authorised by the Audit Committee to have full and complete access to any of the organisation's records, information, data, properties and personnel.

The IA team has unrestricted access to the BAC. IA communicates and interacts directly with the Chair of the BAC and the Chief Executive Officer (CEO), including in private meetings without management present.

The BAC authorises IA to:

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- Obtain assistance from the necessary personnel of the Bank, as well as other specialised services from within or outside the Bank, to complete its activities.

1.5 Responsibilities of IA Function, Audit Committee and Management

(a) Responsibilities of IA Function:

- Submit a risk-based IA plan to the BAC for review and approval, at least annually.
- Discuss the focus of the proposed audit plan with management to facilitate appropriate consideration of risk and other inputs from management.
- Communicate the impact of resource limitations on the IA plan to the BAC.
- Regularly review the IA Plan to take account of changes to the Bank's risks, operations, programmes, systems, and controls.
- Review the adequacy of the design, implementation and operating effectiveness of controls established to manage the key risks identified and assess compliance with policies, plans, procedures and business objectives established by the Board.
- Identify, analyse, evaluate and record sufficient information during the execution of IA work, to achieve the IA objectives.
- Maintain a quality assurance programme which will cover all aspects of IA and its conformance with industry standards.
- Communicate audit results accurately and timely to the relevant stakeholders, following the completion of audit work.
- Report accurately, transparently and timely to the Audit Committee and other governing bodies, depending on the remit of those respective governing bodies.
- Maintain an open and constructive relationship with the first line, second line and external audit while maintaining independence, coordinating assurance activities and sharing information to minimise duplication of effort.
- Follow up on engagement findings and corrective actions. Report periodically to senior management and the BAC for any corrective actions not effectively implemented.
- Maintain professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter, by engaging in continuous education and staff development.
- Liaise with the Head of Independent Assurance to coordinate the IA activities.
- Assess trends and emerging issues that could impact the Bank and communicate these to senior management and the BAC as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and adhere to policies and procedures designed to guide IA.
- Adhere to the Bank's policies and procedures unless such policies and procedures conflict with the IA Charter. Resolve any such conflicts or otherwise communicate these to senior management and the BAC.
- Use tools and technology, including data analytics, to drive efficiencies and effectiveness.

- Conform to professional standards, legislation and regulation.

(b) Responsibilities of Audit Committee:

- Approve the IA Charter.
- Approve the risk-based IA plan and any significant changes.
- Approve IA's budget and resource plan.
- Review communications from the IA team on IA's performance, relative to its plan and other matters.
- Evaluate the performance of IA.
- Report in the firm's annual report and accounts a summary of the role of IA, the function's main activities and the BAC's conclusions on IA's impact and effectiveness.

1.6 Independence and objectivity

IA will remain independent of the business and shall have no direct operational responsibility or authority over any of the activities they review. IA team members are independent, objective, and constructive when carrying out their duties. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. IA is alert to conflicts of interest and will establish safeguards to manage all potential conflicts identified so that independence and objectivity are not impacted. IA will confirm to the Board, at least annually, the organisational independence of IA's activity.

IA will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. IA will make a balanced assessment of all the relevant circumstances and will not be unduly influenced by their own interests or by others in forming conclusions.

IA will remain free from interference, including over matters of audit selection, scope, procedures, frequency, timing, and report content.

1.7 Professional competence and due care

The IA function will perform its duties with professional competence and due care. IA will adhere to: (1) the Global Internal Audit Standards (2024 version, effective date 9 January 2025) issued by the Institute of Internal Auditors ('IIA'); and (2) the requirements set out within "Internal Audit Code of Practice" (effective January 2025) issued by the Chartered Institute of Internal Auditors ('CIIA').

The conformance of IA to industry standards will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported annually to Senior Management and the Audit Committee. The programme will also assess the efficiency and effectiveness of IA and identify opportunities for improvement.

1.8 Reporting and monitoring

The Audit Committee will be updated regularly on the work of IA through periodic and annual reports. The IA team shall prepare reports of audit activities with significant findings, along with any relevant recommendations, and provide periodic information on the status of the annual audit plan.

1.9 Relationship with other Assurance Functions and Regulators

IA will exercise, through informed judgement, how much reliance can be placed on the work of the other assurance functions following a thorough evaluation of the effectiveness of those functions in relation to the area under review.

The external auditors fulfil a statutory duty. Effective collaboration between IA and the external auditors is imperative for effective and efficient audit coverage and resolution of issues of mutual concern.

IA should establish and maintain a close and continuous relationship with the Bank's regulatory authorities, as deemed necessary and appropriate.

1.10 Changes to the Mandate and Charter

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

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or restructuring within the organisation.
- Significant changes in the IA function, Audit Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of IA services.

1.11 Review, approval and effective date

This Charter was reviewed and approved by the BAC and became effective 12 February 2026.

- ✓ This Charter will be reviewed and approved annually by the BAC.
- ✓ This Charter supersedes the previously approved Charter.