



Audit committee charter

Definitions

The terms and expressions used in this charter shall have the meanings as defined below, unless the context suggests otherwise. Reference may be made to laws, instructions, and regulations issued by the Central Bank of Iraq for any definitions not provided herein:

- **Bank:** Asia Iraq Islamic Bank for Investment and Finance
- **Chairman of the Board:** Chairman of the Board of Directors of Asia Iraq Islamic Bank for Investment and Finance
- **Board:** Board of Directors of Asia Iraq Islamic Bank for Investment and Finance
- **Corporate Governance:** A comprehensive system that defines the relationships between the Board of Directors, executive management, shareholders, and other stakeholders. Governance addresses how the bank is directed and supervised by the Board and influences:
 - Defining the bank's strategy, including the Environmental, Social, and Governance (ESG) strategy.
 - Managing the bank's risks, including ESG-related risks.
 - Bank operations.
 - Balancing shareholders' rights with depositors' interests while considering those of other stakeholders.
 - Compliance with all applicable laws, regulations, and standards.
 - Reporting practices to ensure full and transparent disclosure of all material – financial and non-financial – matters.
- **Audit Committee Governance:** The Audit Committee supports the Board in overseeing matters related to the bank and its subsidiaries, including the preparation of external financial reports, internal control frameworks, the internal and external auditors, and compliance with applicable laws and regulations.
- **Audit Governance Operations:** The practices and activities stemming from the bank's policies necessary to achieve information and technology goals. The Audit Committee shall coordinate closely with the Board's committees for risk, IT governance, ESG, and sustainability on matters of mutual concern.
- **Audit Committee Objectives:** The main and sub-objectives relating to governance and management of information and technology that support institutional goals.

- **Institutional Objectives:** The governance and management objectives necessary to meet stakeholder needs and fulfill the purpose of this charter.
- **Executive Management:** Includes the bank's authorized general manager, deputies, and heads of departments such as credit, finance, operations, international banking, local banking, internal audit, AML/CFT, human resources, administration, risk management, treasury, compliance, and any executive-level staff reporting directly to the general or regional manager, or any individual required by the Central Bank of Iraq to comply with Laws No. 56 (2004) and 94 (2004).
- **Audit Committee Function:** Includes supervising the accuracy of financial statements in accordance with professional accounting standards, ensuring regulatory compliance, embedding ESG risk review in work plans, and continuously evaluating the soundness of relevant policies.
- **Stakeholders:** All groups or individuals with an interest in the bank's activities, products, services, and profitability, who may affect or be affected by it. Stakeholders include shareholders, investors, employees, regulators, government authorities, bank customers, depositors, borrowers, suppliers, the general public, and others.

Committee Formation

Committee Composition and Membership

The Audit Committee shall be composed of at least three members, all of whom must be independent, non-executive directors. Membership must include the Chair of the Risk Committee. The Central Bank of Iraq must approve the appointment of the Audit Committee Chair. At least one member must be a Sharia-compliant board member. All members must have sufficient knowledge in financial and accounting matters. The Chair must be a financial expert and an independent, non-executive board member.

Members of the Audit Committee may not simultaneously serve on the boards of more than two companies, nor may they serve on the Audit Committee of another bank.

Qualifications of Committee Members

All members must hold academic qualifications and possess relevant practical experience in accounting, auditing, financial management, or similar disciplines related to banking operations, in line with contemporary auditing profession requirements. The Chair must be a financial expert.

Members must understand and be familiar with accounting standards, auditing practices and procedures, internal audit methods, financial reporting processes, and must have the ability to interpret and evaluate the bank's financial statements, including:

- The balance sheet

Audit committee charter

- Income statement
- Cash flow statement
- Statement of changes in shareholders' equity

Committee Structure

- Board Member – Chair
- Chair of the Risk Committee – Member
- Sharia Board Member – Member

Committee Term

Active membership in the Board is a prerequisite for Audit Committee membership. The committee term will align with the member's term on the Board of Directors.

(Committee Authorities and Powers)

Committee Authorities and Powers

- Supervise the performance of the internal audit function and ensure the independence of the internal auditor's operations, as well as approve and monitor the effectiveness of the bank's internal controls.
- Recommend to the Board of Directors, on an annual basis, the scope of internal audit, including the assessment of environmental and social risks.
- Hold regular meetings with executive management and the internal audit department to discuss the external auditor's report, related financial issues, major changes in the bank's accounting policies, semi-annual and annual financial statements, and non-financial disclosures (e.g., sustainability, climate-related disclosures, and annual report content).
- Recommend to the Board the appointment, dismissal, promotion, or transfer of the internal auditor. The committee must also annually review the internal auditor's objectives, performance, and compensation directly.
- Ensure that the internal audit function operates independently from executive management and is not subject to direction from any executive member.
- Review and discuss how management ensures the integrity of public information and documents, including the annual report, ESG performance scorecards, and data related to profitability, sustainability, and the impact of ESG risks on the bank.

- Ensure that audit-related matters raised by the Risk Committee are addressed and corrected properly in coordination with the Audit Committee.
- Ensure compliance with international standards and internal policies related to anti-money laundering (AML) and countering the financing of terrorism (CFT) across all the bank's activities and procedures.
- Review and audit any operations, procedures, or controls that may affect the bank's strength and soundness.
- Provide recommendations to the Board regarding the bank's organizational structure, including creation, cancellation, merger, or modification of departments and their responsibilities.
- Review annual training and development plans for finance and internal audit staff and others in relevant departments and provide recommendations to executive management and HR regarding such plans.
- Prepare a quarterly report on the committee's activities and submit it to the Board of Directors.
- Approve accounting policies, changes to those policies, accounting procedures, and the annual internal audit training plan, and ensure implementation of accounting standards.
- Ensure that the bank complies with required disclosures in accordance with international financial reporting standards (IFRS) and ESG scorecard requirements.
- Ensure executive management is aware of updates to international financial reporting standards and other relevant regulations.
- Specify the methods used by the internal auditor to test the effectiveness of internal control systems.
- Oversee the implementation of Board-approved policies for AML/CFT and Know Your Customer (KYC).
- Ensure compliance with the U.S. Foreign Account Tax Compliance Act (FATCA).
- Propose the appointment of a qualified external auditor, subject to approval by the Board and shareholders, and recommend their dismissal or replacement when necessary.
- Oversee contracting with the external auditor, including qualifications, performance, independence, and fees.
- Meet regularly with the external auditor to receive reports, discuss findings, and review audit-related issues.

Audit committee charter

- Ensure that meetings with the external auditor include discussions on the financial statements and climate-related disclosures.
- Supervise the independence and competence of the external auditor.
- Oversee the entire external audit process.
- Regularly review the external audit plan to ensure it covers all material risks, including ESG risks and financial reporting requirements.
- Discuss audit procedures with the external auditor, including any difficulties encountered, major disagreements with management (if any), and the adequacy of management's response.
- Review the policy on approving tax-related services and non-audit services provided to the bank.
- Supervise the information-sharing process with the external auditor and review their performance.
- Meet with the external auditor without the presence of executive management to discuss internal controls used in preparing financial information and reports.
- Discuss the audit report results with executive management and ensure that corrective measures are taken promptly in response to issues raised by the external auditor.
- Ensure compliance with the bank's requirements and international standards across all operations, especially regarding environmentally sustainable investment products.
- Provide the Board with information related to the bank's compliance policies and procedures and relevant financial reporting and disclosure regulations.
- Based on the recommendation of the General Manager, approve or dismiss the Compliance Officer. The committee also defines the officer's objectives and annually reviews performance.
- Review reports from executive management and external auditors regarding any material control weaknesses or reportable conditions in the internal control environment.
- Monitor compliance with AML/CFT requirements and review AML/CFT reports submitted to the Central Bank of Iraq.
- Review reports submitted by the bank to the Central Bank of Iraq that disclose its activities and operations.
- The committee has the authority to request any information from executive management and to summon any director to attend and contribute to its meetings.

- Receive regular reports from executive management and the external auditor to ensure the bank complies with legal and regulatory requirements.
- Hold at least four meetings per year with the external auditor, internal auditor, Compliance Officer, and AML/CFT Officer, in the absence of any executive management members.
- Review and approve the whistleblower policy, which provides for confidential reporting of financial, internal control, compliance, or audit-related issues by staff or third parties. It works in coordination with the Risk Committee and ensures that employees are aware of these policies and procedures.
- Maintain objectivity, conduct independent investigations, and protect whistleblowers when appropriate. Summarize such matters in the Audit Committee's section of the bank's annual report.
- Oversee the implementation of crisis and disaster recovery programs in coordination with the IT Governance Committee and other relevant Board-level committees.

Committee Membership and Compensation

- The Chair and members of the committee shall receive attendance allowances in accordance with the schedule of privileges and entitlements approved by the Board of Directors.

Committee Secretary

The Secretary of the Committee shall be the person selected by the members of the committee and entrusted with the following duties:

- Coordinate Audit Committee meetings, send invitations, and prepare agendas.
- Prepare and circulate meeting agendas to members at least ten days prior to the meeting date.
- Prepare and distribute relevant meeting materials to members in advance (e.g., internal and external IT audit reports, evaluations of IT systems, follow-up reports on observations and recommendations, authority matrices, etc.).
- Record, document, and number the meeting minutes.
- Ensure that committee members sign the decisions made during the meetings.
- Follow up on the implementation of decisions taken during committee meetings.

Audit committee charter

- Maintain the committee's records and documentation.

Committee Meetings

Meeting Location

Meetings shall be held at the bank's headquarters or any other location decided by the Committee Chair if holding the meeting at headquarters is not feasible.

Meeting Frequency

- The Audit Committee must meet at least four (4) times per year.
- This number may be increased as necessary or upon the request of the Board of Directors unless directed otherwise.

Invitations and Agenda

- The committee may, when needed, invite executive management or bank staff or others to attend its meetings to provide information or respond to queries relevant to the committee.

Legal Quorum

- A legal quorum is established when at least two members of the committee are present, and they must be independent, non-executive board members.
- A majority of members must be present, including at least two independent, non-executive board members.

Decision-Making

- Decisions are made by a majority vote of the members present.
- In the event of a tie, the Chair's vote shall be the deciding vote.

Meeting Minutes

- After each meeting, the committee must submit a report (meeting minutes) to the Board of Directors summarizing the discussed agenda, conclusions reached, and recommendations made, for board ratification.
- The Secretary must retain a copy of the report, with the original kept at the Board Secretariat.
- The committee must also prepare a semi-annual report summarizing the meetings held during the period, the main issues discussed, and recommendations made. This report must be submitted to the Board for review and archived by the committee secretary.

Committee Responsibilities and Duties

- Assist the Board of Directors in matters related to the bank and its subsidiaries in the preparation of external financial reports, internal control frameworks, the internal audit function, the external audit function, and compliance with applicable laws and regulations.
- Coordinate closely, as needed, with the Board's other committees (Risk, IT Governance, ESG, Sustainability) regarding matters of shared interest.
- Supervise the integrity of financial statements prepared in accordance with professional accounting standards and financial reporting requirements for the bank and its subsidiaries.
- Oversee the bank's compliance with laws and regulations, preparation of regulatory reports, and application of professional accounting standards.
- Ensure that the internal audit and compliance functions include in their work plans the evaluation of adherence to environmental and social risk policies and the continuous assessment of the soundness of such policies.