



# Audit Committee Charter



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# AUDIT COMMITTEE CHARTER

## 1.0 DEFINITIONS

In this Charter (if not inconsistent with the subject or context and unless otherwise stated herein) the words and expressions set out in the first column below shall bear the meaning set out opposite to them respectively:

<b>Board</b>	Collectively, the Board Members
<b>Board Member</b>	Any member of the Board as appointed and standing per the Register of members of the Board and the Secretary of the Company
<b>Delegation of Authority</b>	The Group Policy on Delegation of Authority as may be amended from time to time.
<b>Charter</b>	This Audit Committee Charter.
<b>Committee</b>	The Audit Committee appointed by the Board pursuant to this Charter.
<b>Committee Chairman</b>	Chairman of the Committee.
<b>Company</b>	Abu Dhabi National Energy Company PJSC (TAQA).
<b>Employee</b>	An Employee of the Group.
<b>Executive</b>	An Employee of the Company directly reporting to the Group Chief Executive Officer and Managing Director and carrying out managerial responsibilities including employees designated as an Executive by the Nomination and Remuneration Committee. Collectively, as Executives.
<b>Executive Board Member</b>	Shall have the meaning given to such term in the Governance Rules.
<b>External Auditors</b>	The auditing firm or firms of independent public accountants engaged to audit the financial statements of the Company and its subsidiaries.
<b>Fraud</b>	Shall have the meaning given to such term in policies relating to compliance, anti-bribery and corruption, as may be amended from time to time.
<b>Governance Rules</b>	The governance rules set forth in Securities & Commodities Authority Decision No. (3/Chairman) of 2020 Concerning the Approval of Joint Stock Companies Governance Guide, as may be modified and amended from time to time.
<b>Group</b>	Collectively, the Company and each of its wholly owned or controlled subsidiaries.
<b>Head of Ethics and Compliance</b>	An Employee leading the Company's ethics and compliance function and designated as the compliance officer of the Company for the purposes of the Governance Rules.

<b>Head of Internal Audit</b>	An Employee managing and leading the Company's Internal Audit function.
<b>Independent Board Member</b>	Shall have the meaning given to such term in the Governance Rules.
<b>Non-Executive Board Member</b>	Shall have the meaning given to such term in the Governance Rules.
<b>Secretary</b>	The Chief Risk and Internal Audit Officer of the Company, or any other person selected by the Committee Chairman.
<b>SCA</b>	The Securities and Commodities Authority in the UAE.
<b>Senior Management</b>	An Employee directly reporting to an Executive.

## **2.0 PURPOSE AND ROLE OF THE COMMITTEE**

- 2.1 This Charter documents the role, function, and powers of the Committee and outlines procedures and guidelines applied by the Committee when assisting the Board in fulfilling its oversight responsibilities with respect to:
- i. the effectiveness of systems of internal controls for managing and assessment of financial and operational risks.
  - ii. ensuring the integrity of consolidated financial statements; and
  - iii. compliance with legal and regulatory requirements.
- 2.2 The Committee also provides oversight of the risk management function, internal audit function and External Auditor's activities.

## **3.0 COMPOSITION AND APPOINTMENT**

- 3.1 Members of the Committee shall be appointed by the Board and shall comprise of a minimum of three (3) Non-Executive Board Members, two of which shall be Independent Board Members. However, the chairman of the Board may not be a member of the Committee.
- 3.2 All members of the Committee shall have knowledge of financial and accounting matters and at least one member of the Committee shall have financial and accounting experience and hold a scientific qualification or professional certificate in accounting, financial or other related matters.
- 3.3 The term of the members of the Committee and the Committee Chairman shall be as determined by the Board, subject to annual review and assessment of the Committee.
- 3.4 The fee (if any) to a Committee member for serving on the Committee shall be determined by the Nomination and Remuneration Committee, thereafter, endorsed by the Board to the shareholders for approval.
- 3.5 A member of the Committee who wishes to resign should provide at least 60 (sixty) days' prior written notice to the Committee so that a replacement may be appointed in a reasonable timeframe. In case where a member of the Committee resigns, or for any reason ceases to be a member, resulting in non-compliance to the composition criteria as stated in paragraph 3.1

above, the Board shall as soon as practically possible appoint such number of the new members as may be required to fill the vacancy.

- 3.6 A current or former partner of the External Auditors may not be a member of the Committee unless such person has ceased to be a partner in the audit firm (which includes holding a direct and/or indirect financial interest in the firm) for more than a year from the date of expiry of his capacity as a partner or expiry of any financial interest, whichever comes later.
- 3.7 The Board shall appoint the Committee Chairman who shall be both a Non-Executive Board Member as well as an Independent Board Member. In the absence of the Committee Chairman, the remaining Committee members will elect a member to act as Committee Chairman for the meeting.
- 3.8 The Committee Chairman may invite any Board Member, Executives, Senior Management of the Group or any other person to attend any meeting of the Committee, as it may deem necessary and desirable to assist the Committee in carrying out its responsibilities. Such invitees shall not be voting members of the Committee.
- 3.9 The Committee shall via the Secretary make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Committee or the Nomination and Remuneration Committee of the Company.

## **4.0 PROCEDURAL REQUIREMENTS**

### **4.1 Meeting Frequency**

The Committee shall meet as frequently as required, as determined by the Committee Chairman, to perform the duties and responsibilities set out in this Charter, and at least once every three months.

### **4.2 Notice of Meetings**

- i. Meetings of the Committee shall be arranged by the Secretary, at the request of the Committee Chairman. The Head of Ethics and Compliance, Head of Internal Audit or the External Auditor may also request a meeting with the Committee at any time, whenever required.
- ii. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting documentation. The Secretary shall distribute the agenda and supporting documentation at least five (5) working days prior to any scheduled meeting to the members of the Committee to enable full and proper consideration.

### **4.3 Attendance and Quorum**

A member of the Committee must attend all meetings and may not be represented in the meetings by a proxy. The quorum necessary for the transaction of business and convening a valid meeting shall be majority of Committee members. Attendance may be either in person, by telephone or video conferencing facilities. Decisions may be made via circulation and in writing which will be noted or ratified in the subsequent meeting of the Committee.

### **4.4 Declaration of interests**

A Committee member, invitee or advisor who is in any way, whether directly or indirectly, interested in a contract, arrangement or any other dealing, or proposed contract arrangement or dealing, with the Company, or its related parties, shall declare the nature of his interest in accordance with the provisions of this Charter. For the purpose of this Charter, a general notice given by a Committee member/advisor to the other Committee members/advisors to the effect that he is a shareholder or a director of a relevant company or firm, and is to be regarded as

interested in any contract, arrangement or dealing, which may, after the date of the notice, be entered into or made with that company or firm, shall be deemed to be a sufficient disclosure of interest in relation to any contract, arrangement or dealing so entered into or made. The Committee members shall be required to disclose information as required by the conflict of interest policy of the Company, as amended from time to time.

#### 4.5 **Decision Making**

The Committee shall take decision by majority votes. Each member of the Committee will have one vote. The Committee Chairman will have a casting vote in case of equality of votes. In the event a member of the Committee has abstained from voting and the votes are tied, the matter shall be referred to the Board.

#### 4.6 **Meeting Minutes**

- i. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- ii. The Secretary shall promptly circulate draft meeting minutes to the members of the Committee for review within fourteen (14) working days from the conclusion of the meeting. Meeting minutes shall be signed by all members present and the Secretary and shall be noted by the Committee at the subsequent meeting of the Committee. The Secretary shall promptly communicate decisions taken and resulting action points to the relevant Executives or Senior Management along with deadlines and reporting expectations.

### **5.0 DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

5.1 The Committee shall understand the Company's structure, controls, and types of transactions to assess the significant risks faced by the Company. In addition to the Committee's responsibility for all matters identified in the Governance Rules, the Committee will have the following responsibilities and tasks:

#### i. **Enterprise Risk Management**

The Committee shall:

- a) Monitor the risks that the Company may face and provide guidance to management, as needed.
- b) Review adequacy and monitor effectiveness of the risk management policy by evaluating the enterprise risk management processes and systems. The purpose of such processes and systems is to determine, report and manage key risks of a strategic and commercial nature.
- c) Require periodic progress reports from management on the implementation of enterprise risk management controls, mitigation strategies and action plans, and determine whether they are adequate and make recommendations to the Board as appropriate.
- d) Promote the risk management awareness and culture across the Company as a sponsor of enterprise risk management process.
- e) Provide direction in establishing the risk appetite, risk assessment matrix, risk tolerance limits and other key parameters of enterprise risk management.

- f) Provide direction to the Chief Risk and Internal Audit Officer on allocation of resources and assignment of responsibilities for activities addressing Company's risks.

**ii. Internal Control**

The Committee shall:

- a) Monitor the effectiveness of the Group's internal control system and review the statements to be included in the annual reports concerning risk management and internal control. The Committee shall review the following as appropriate and at least annually where critical:
- All significant reports of the Internal Auditors
  - All reports of the External Auditors
  - All information relating to Group policies
  - Management responsibilities regarding risk management and internal control
  - The adequacy of disclosure controls and procedures (including related certification and attestation processes and Group Compliance Programme activities, operations, and results), for the avoidance of illegal payments and improper accounting practices
  - All significant weaknesses identified in the effectiveness of risk and control management.
- b) Monitor the effectiveness of the Company's procedures for internal control over financial reporting, including related certification and attestation processes, and review the existence of an adequate framework that could be reasonably expected to prevent and detect material fraud.
- c) Discuss the adequacy of the Company's internal control system and any significant matters arising therefrom with the Chief Risk and Internal Audit Officer, Head of Internal Audit, the Group Chief Executive Officer and Managing Director and the External Auditors.
- d) Review and endorse Delegation of Authority and any changes made to it and recommend to the Board for approval.

**iii. Internal Audit**

The internal audit function including the Head of Internal Audit shall report functionally to the Committee and administratively to the Chief Risk and Internal Audit Officer.

The Committee shall:

- a) Review, assess and approve the Internal Audit function's charter, appropriateness of internal audit strategies (including risk assessment methodology), staffing, organization structure and the annual internal audit plan and budget. The Head of Internal Audit shall have direct access to the Committee Chairman and to the Committee as a whole and has a right to request in camera sessions with the Committee. The Committee and each member of the Committee shall have direct access to the Head of Internal Audit.
- b) Review, assess and approve significant changes (additions, deletions) to the annual internal audit plan along with the necessary justifications, prior to the changes being implemented. The Committee shall consider any potential risk impacts arising as a result of the changes before approving the changes. Changes in the timing of audits within the calendar year are

within the remit of the Head of Internal Audit and do not require Audit Committee approval.

- c) Monitor the execution and results of the audit plan, material communications between the Head of Internal Audit and the Company's management and any issues arising therefrom. The Committee shall, where necessary, intervene to ensure timely completion of audit assignments and that adequate responses are received from management on audit findings.
- d) Receive periodic updates on any special assignments undertaken by internal audit.
- e) Monitor the qualifications, expertise, resources, budget (and remuneration – in consultation with the Company's Nomination and Remuneration Committee and in accordance with the Company's HR policies) and structure of the Internal Audit function, in consultation as required with the Head of Internal Audit. The Committee shall consider, at least annually, the standards employed by the Internal Audit function, quality assurance procedures and auditor competence. The Committee shall have authority to hire and/or terminate the Head of Internal Audit Function.
- f) Annually assess the performance of the Head of Internal Audit Function, including the role and effectiveness of the Internal Audit function in the overall context of the Group's risk management and internal control system.
- g) Review the External Auditor's evaluation of the internal audit procedures and ensure the coordination between the Head of Internal Audit and the External Auditor.
- h) On a periodic basis, meet separately with the Head of Internal Audit to discuss any matters that the Committee or auditors believe should be discussed privately.

#### iv. **Compliance**

The Head of Ethics and Compliance of the Company shall report functionally to the Committee and administratively to the Chief Legal Officer.

The Committee shall:

- a) Review whether management has taken the required steps towards establishing a corporate culture of compliance with ethical and legal conduct.
- b) Review updates from management and the legal function regarding compliance matters, legislative developments and regulatory developments which could materially impact the Group.
- c) Monitor the implementation of procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, procurement, auditing, or other matters, including mechanisms for the confidential or anonymous submission of related concerns by employees. The Committee shall also ensure that these procedures provide for appropriate and independent investigation of such matters and follow up action.
- d) Monitor compliance programmes associated with applicable external legal and regulatory requirements and the Company's policies related to ethics and code of conduct.



- e) Review with the legal function any legal matters that could have a significant impact on the annual reports.

**v. Financial Reporting**

The Committee shall:

- a) Discuss with the Chief Financial Officer and the External Auditors issues regarding accounting policies and practices; the appropriateness and acceptability of the application of accounting principles and interpretation of applicable disclosure rules; and compliance with accounting and reporting standards required by law or by appropriate professional guidance.
- b) Review and discuss the integrity of annual audited Company financial statements, semi-annual and quarterly financial statements with management and the External Auditors, including the financial contents of (and the notes to) the financial statements and management's commentary or discussion and analysis of the financial information; and recommend to the Board whether the audited financial statements should be included in the Company's annual and statutory reports. Further to its duties under this paragraph, the Committee shall also focus on and highlight: (i) any changes in accounting policies and/or practices, (ii) matters that should be brought to management's attention for their input and comment, (iii) material amendment that may be required as a result of the audit process, (iv) details of any assumptions being made in connection with the Company's going concern, (v) adherence to the accounting criteria of the SCA (as this may be amended from time to time), and (vi) adherence to any listing and/or disclosure rules or requirements as well as any other financing reporting or legal requirements.
- c) Consider any significant and unusual terms contained or to be contained in the Company's financial reports and accounts and give due consideration to any matters raised by the Chief Financial Officer, Executives, or the External Auditor.
- d) Review, in conjunction with the Group Chief Executive Officer and Managing Director Executives and Senior Management the Company's policies generally with respect to earnings releases; financial performance information and earnings guidance provided to investors and financial markets; reserves accounting and reporting; and significant financial reporting issues.
- e) Review related party transactions with the Company in line with the Governance Rules and such other applicable law and regulation.

**vi. External Audit**

The Committee shall:

- a) Make recommendations to the Board, for it to put to the Company's Shareholders for approval in General Meeting, in relation to the appointment, re-appointment and removal of the External Auditors. The External Auditors shall report directly to the Committee. If the External Auditors resign, the Committee shall investigate the issues giving rise to such resignation and consider whether any action is required.
- b) As the representative Committee of the Board, review and endorse the External Auditor's annual plan and related fees for the audit of the Company and its subsidiaries.

- c) Monitor the execution and results of the audit, material communications between the External Auditors and management and any issues arising. The Committee shall review and assess management's response to audit findings and recommendations and seek to resolve disagreements, if any, between management and the External Auditors.
- d) Monitor the qualifications, expertise, resources, and independence of the External Auditors within the context of the standards required by applicable law, regulation and listing requirements. The Committee shall consider, at least annually, the standards employed by the External Auditors, quality assurance procedures and auditor competence.
- e) Annually assess the performance and effectiveness of the External Auditors, follow up and oversee their independence and objectivity and hold regular discussions with the External Auditors relating to the nature, scope and efficiency of the auditing performed.
- f) Establish and monitor the implementation of applicable Group policies for, and any external disclosures in relation to:
  - the pre-approval of all audit services (including those performed for purposes of providing comfort letters and statutory audits) and permissible non-audit services to be provided by the External Auditors, to the extent permitted by law, regulation and Governance Rules; and
  - the hiring of employees or former employees of the External Auditors.
- g) Annually obtain and review a report from the External Auditors describing (i) all relationships between the External Auditors and the Company and (ii) material issues, if any, raised by their most recent internal quality-control review in respect of the Company or by any inquiry or investigation by governmental authorities in the last five years relating to any audits carried out by the External Auditors.
- h) On a regular basis (at least annually), meet separately with the External Auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

**vii. Government Audit**

- a) The Committee shall review all reports submitted to the Committee by any governmental audit authority and responses to such reports by the External Auditors, the Internal Auditors and by management.

**viii. Reporting**

The Committee shall:

- a) Update the Board about significant Committee activities after each Committee meeting, identifying matters in respect of which it considers that action or improvement is needed, including where the Committee is not satisfied with any aspect of risk management and internal control, financial reporting or audit related activities, including the independence and performance of the External Auditors and the Internal Audit function, and any other matters the Committee deems appropriate; and making recommendations on any remediation actions.
- b) Bring to the attention of the Board material issues, including complaints or concerns regarding accounting, internal accountings controls, procurement,

auditing or other matters, and at least annually, share with the Board the report it receives from the Company on compliance with internal controls (including with respect to insider trading compliance).

- c) Review, at least annually, the Committee's Charter and recommend any proposed changes to the Board for approval, and in so doing conduct, and report to the Board, the summary of its annual activities and the results of an internal annual performance evaluation (comparing the performance of the Committee with the requirements of this Charter).
- d) Describe to shareholders in the annual report how it has discharged its responsibilities and how auditor objectivity and independence has been safeguarded.
- e) Generally, be responsible for all matters determined by the Board or identified in the Governance Regulations and any applicable laws, as being the responsibility of the Committee of the Company.
- f) Perform such further functions related or incidental to the foregoing as the Committee at the request of the Board and the Delegation of Authority, may from time to time agree to undertake.
- g) Conduct an annual self-assessment of its activities under this Charter and report any conclusions and recommendations to the Board and, as part of this assessment. The Secretary shall assist the Committee in carrying out the self-assessment, including an independent assessment at least once every three years.

## **6.0 AUTHORITY OF THE COMMITTEE**

- 6.1 The Board has constituted the Committee and entrusts the Committee with the authorities necessary to perform the duties set out in this Charter and the Delegation of Authority.
- 6.2 The Committee, within the scope of its assigned duties, is authorized to seek any information it requires from Employees and officers of the Group, and external parties, and to investigate or commission the investigation of issues or concerns as it may deem appropriate. In connection with its duties, the Committee may engage advisers or otherwise obtain independent legal, accounting, and other professional services it requires, at the expense of the Company.