

## ABU DHABI COMMERCIAL BANK EXTERNAL AUDITOR SELECTION POLICY

### 1 Definitions

In this policy the following words and phrases shall have the meaning assigned to them below:

“ADAA”	means the Abu Dhabi Accountability Authority;
“ADAA Statutory Auditors Appointment Rules”	means the rules issued by ADAA on 28 September 2014 with regards to statutory auditor’s appointment in accordance with article number 14 of Law number (14) of 2008 concerning Abu Dhabi Accountability rules or its amendments from time to time.
“Audit & Compliance Committee”	means the Board Audit & Compliance Committee authorized by the Board of Directors of the Bank;
“Bank”	means Abu Dhabi Commercial Bank PJSC and its subsidiaries;
“Board”	means the Board of Directors of the Bank;
“Commercial Companies Law”	means the U.A.E’s Federal Law no. (2) for the year 2015 concerning Commercial Companies;
“Corporate Governance Regulations”	means best practices as determined by the Board and any relevant regulation in force from time to time;
“SCA Circular”	means the circular issued by SCA on 11 <sup>th</sup> February 2016 regarding the Implementation of the Federal Law No. (2) of 2015, concerning the Commercial Companies; and
“SCA Guidelines”	means the Securities & Commodities Authority (SCA) Resolution N. (7R.M.) of 2016 concerning the standards of institutional discipline and governance of public shareholding companies.

### Preamble

It is the policy of the Bank and its Audit & Compliance Committee to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested every 3 years in accordance with Commercial Companies Law requirements and the SCA Circular, taking into consideration assessment of performance, existing value and tender costs. This policy is to be read in conjunction with the Audit & Compliance Committee terms of reference and the ADAA Statutory Auditors Appointment Rules.

## 1. Selection Policy

- 1.1 The Audit & Compliance Committee of the Board has responsibility to:
  - 1.1.1 Recommend to the Board the appointment of the external auditors, and their fee;
  - 1.1.2 Review the terms of engagement of the external auditors;
  - 1.1.3 Review the scope of the external audit plan and any additional services; and
  - 1.1.4 Monitor the independence of the external auditors.
- 1.2 In carrying out these responsibilities, the Audit & Compliance Committee continuously reviews the performance and independence of the external auditors.
- 1.3 Should the Committee determine a need for a change of external auditor, the Committee makes recommendations to the Board on the requirement for a new external auditor and the selection criteria for the new auditor.
- 1.4 When the Board decides that a new external auditor is required, the Audit & Compliance Committee identifies audit firms who meet the criteria for appointment, requests tenders from them, and recommends one or more to the Board for appointment.

## 2. Selection and Appointment Procedures

- 2.1 When the Board decides that a new external auditor is required, the following procedure will be followed:
  - 2.1.1 The Audit & Compliance Committee will identify audit firms who meet the selection criteria approved by the Board, determine their willingness to act, and obtain proposals from them addressing the selection criteria;
  - 2.1.2 The Audit & Compliance Committee will make sure that the recommended firms are qualified and independent (including the level of non-audit services provided and independence of individuals);
  - 2.1.3 The Audit & Compliance Committee, and as may be deemed necessary, the GCFO / Group Chief Internal Auditor will meet with/interview the candidates;
  - 2.1.4 The Audit & Compliance Committee will recommend to the Board a firm for appointment as external auditor;
  - 2.1.5 The Board will meet to consider the Audit & Compliance Committee's recommendation;
  - 2.1.6 The Board Secretariat/Internal Audit will arrange the necessary notices, meetings, and resolutions for the resignation/removal of the existing auditor and the appointment of the new auditor, in accordance with the Commercial Companies Law, the SCA Guidelines, Corporate Governance Regulations or any applicable rules or regulations, in addition to monitoring emerging best practices in audit tendering including making appropriate disclosures in the Annual report; and
  - 2.1.7 The Bank's shareholders shall then consider the Board of Directors' recommendation to appoint the external auditor in an annual general assembly for approval (or otherwise).

### 3 Rotation of Audit Firm

- 3.1 The external audit firm shall be appointed for one financial year only by a resolution of the Bank's general assembly meeting, and the appointment may be renewed every year, for three consecutive years. Thereafter, the Bank may appoint the existing auditor only after two financial years have lapsed<sup>2</sup>.

### 4 Non-Audit work performed by Auditors

- 4.1 The external auditor may not carry out any additional work for the Bank, which is not part of the audit program if it may affect their impartiality and independence and in particular may not carry out any activities listed in SCA Guidelines Article (38)<sup>2</sup>.
- 4.2 The level of non-audit work will be monitored by the Audit & Compliance Committee on a regular basis, with a detailed analysis of fees, and review of the relationship with the auditors. Appropriate disclosure will be included in the Annual Report.

### 5 Applicable regulatory requirements

#### SCA Guidelines

- (1) Article 36: selection of the auditor; (2) Article 37: obligations of the auditor; (3) Article 39: consultancies and works the auditor is authorized to perform
- Article (38): The external auditor may not, while performing an audit of the company's accounts, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that the Authority decides that an external auditor shall not perform, in particular:
  - a) Any other accounting services or works in connection with accounting records and financial statements, excluding routine accounting services that may be rendered by the external auditor to a subsidiary company of the company of which it audits its accounts, where the following conditions are met:
    - The subsidiary company is not a material part of the company whose accounts are audited by the auditor;
    - These services are clearly immaterial for the auditor and the subsidiary company and
    - The external auditor's provision of this service does not materially affect the financial information of the parent company.
  - b) Design or use of any information systems if they can have a material effect on financial information or relevant control systems.
  - c) Provision of any internal audit services or works pursuant to a subcontract.
  - d) Provision of any actuary services or works.
  - e) Provision of any assessment or valuation services or works of the company during performing, or taking part in, the audit.
  - f) Provision of any administrative services or works or employment services for the company's financial management, human resources or administrative positions, starting from heads of divisions as well as senior or junior administrative or supervisory positions.
  - g) Provision of any stock brokerage services or works.
  - h) Provision of any consultations.
  - i) Provision of any legal services or expertise.

Note 1: Please refer to SCA Circular (paragraph 38) and Commercial Companies Law Chapter 6 (243-254)

Note 2: Please refer to SCA Guidelines article 38 under section 5 of this policy.

**SCA Circular**

- Paragraph 38: Regarding Article 243 of the Commercial Companies Laws - Appointment of the Company Auditor.

**Commercial Companies Law (Chapter 6): Auditors of Joint Stock Companies**

- (1) Article 243: appointment of the auditors; (2) Article 244: conditions of the auditors, (3) Article 245: audit report; (4) Article 246: duties of the auditors; (5) Article 247: confidentiality of the particulars of the company, (6) Article 248: no trading by the auditors in securities; (7) Article 249: notifications of crimes and contraventions; (8) Article 250: contents of the auditor's report, (9) Article 251: removal of the auditor; (9) Article 252: resignation of the auditor; (10) Article 253: liability of the auditor; (11) Article 254: liability suit against the auditor.

**ADAA Article (3) Approach and Period of Appointment**

- The yearly appointment of external auditors will be in accordance to these rules and based on proposals from at least 4 external auditors. The external auditor can be reappointed for another 3 consecutive years providing that the quality of provided audit services and the competence of the audit team are evaluated by the company and that the auditor provides assurance of independence and pledges confidentiality taking into consideration the remarks in the reports issued by ADAA and all other factors that might affect the reappointment of the auditor.