

SHARIA AUDIT CHARTER

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I. DEFINITION

This Sharia Audit Charter formally defines the Internal Sharia Audit Department's ("ISAD") purpose, scope, authority and responsibility within RAKBANK ("the Bank") and its subsidiaries (collectively referred to as "the Group").

The Sharia Audit Charter also establishes ISAD's position within the Group, including the Head of Sharia Internal Audit's ("HOSIA") reporting lines and authority to access records, personnel, and physical properties relevant to the performance of engagements; general approach to Sharia audit activity; and protocols for liaising with the Group's second line of defence functions and external parties.

II. PURPOSE

The primary role of the ISAD is to undertake Sharia audits and monitor the Group's compliance with the Islamic Sharia.

This is conducted through an annual plan to collect and assess evidence of the Group's activities and transactions to ensure their compliance with the Islamic Sharia and ensure the adequacy of internal procedures and Sharia governance frameworks.

The above is a definition of the purpose of the ISAD as established by the Higher Sharia Authority ("HSA") of the UAE Central Bank ("CBUAE"). The ISAD subscribes to this definition and aims to comply with the HSA's Standards on Sharia Governance for Islamic Financial Institutions.

III. SCOPE & AUTHORITY

There is no aspect of the Group's Sharia related activities which the ISAD is restricted from reviewing as part of its mandate.

The rights and responsibilities of ISAD, established by the Board with strict accountability for confidentiality and safeguarding of records and information are to have:

- Access to the Board and all its sub-committees.
- Full and unrestricted access to all functions, information, systems, premises, property and personnel of the Group and its third parties.
- Full and free access to all relevant external agencies, regulatory bodies and statutory auditors.
- Full assistance of all the Group's employees or external specialised services to support the ISAD in fulfilling its roles and responsibilities.

IV. ACCOUNTABILITY

The HOSIA is accountable for the delivery of Internal Sharia Audit services across the Group's Islamic Banking products, services and operations. The HOSIA reports directly to the Board via the Board Audit Committee ("BAC").

The HOSIA must submit audit reports to the Internal Sharia Supervisory Committee ("ISSC") for resolutions on Sharia related matters as identified through the work performed. The reports, together with the ISSC resolutions, must be submitted to the BAC for implementation and follow-up of ISAD and ISSC requirements.

The ISAD must submit its reports to the ISSC and BAC on a biannual basis at minimum.

V. RESPONSIBILITY

The HOSIA, and the ISAD, are responsible for:

- Documenting the Internal Sharia Audit methodology and regularly reviewing it to ensure adequacy of approach.
- Preparing the annual Sharia audit plan which must be approved by the ISSC in coordination with the BAC whilst upholding best practices in this process (e.g. risk based Sharia audits).
- Undertaking assessments of business activities of the Group to ensure the Group's compliance with Islamic Sharia principles and regulations.
- Assessing the effectiveness of internal Sharia supervision to ensure the Group's compliance with the Islamic Sharia.
- Ensuring that products, services, forms, contracts, agreements, activities and transaction execution procedures are approved by the ISSC.
- Assessing the Group's compliance with Islamic Sharia principles and regulations by conducting regular Sharia audits.

- Preparing internal audit forms and programs required for conducting inspections, and for verifying and documenting the sound execution of transactions in light of the ISSC's fatwas and the HSA's resolutions.
- Conducting meetings with the Group's branches and departments to discuss Sharia observations and directing Management to put in place appropriate measures to prevent recurrence of similar issues.
- Preparing reports on the outcomes of internal Sharia audits.

VI. INTERACTION WITH OTHER CONTROL FUNCTIONS

As the third line of defence, the ISAD is independent of all second line control functions such as Risk Management, Compliance, Legal, etc. and assesses not only the processes implemented by the Group's control functions, but also the quality of their work.

In evaluating the effectiveness of the Group's governance, risk management and internal controls, the ISAD may rely on the work of the control functions post evaluation of the effectiveness of those functions.

VII. INDEPENDENCE AND OBJECTIVITY

The HOSIA, and the ISAD staff, cannot assume any executive powers or responsibilities relating to the businesses, activities and contracts that may be audited by them. Any non-conformance to the above must be reported to the Group Chief Internal Auditor (CIA).

To reinforce their independence and objectivity, the HOSIA and ISAD have a direct reporting line and unrestricted access to the BAC and an administrative reporting line to the Group CIA.

In matters relating to promotions, bonuses, performance assessments and removals, the HOSIA and ISAD staff do not report to the Senior Management they are auditing, but to the Board, through the BAC, and in consultation with the CIA and ISSC.

VIII. PERSONNEL AND RESOURCING

It is the responsibility of the HOSIA to ensure that the ISAD has sufficient resources and appropriately trained and experienced staff, who are sufficiently competent to examine all areas in which the Group conducts Sharia compliant business and adheres to the Islamic Sharia.

The continued professional competence of Internal Sharia Auditors will be ensured by way of systematic and relevant training and sufficient up to date knowledge of auditing techniques and financial services activities.

In line with the HSA's Standard on Sharia Governance, whilst Internal Sharia Audit cannot be outsourced to external entities, appropriately skilled resources may be in-sourced from third parties when considered necessary and post approval of the CBUAE. The BAC provides oversight in regard to the adequacy of GIA resourcing.

IX. GENERAL

This Charter will be reviewed annually and approved by the BAC to ensure it remains relevant and complies with applicable policies, standards and good practice.