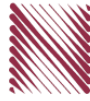


## ***Internal Control and Risk Management***

One key emerging trend has been to ensure the independence of Risk Management and other control functions that are responsible for identifying high lighting and managing the various risk areas of an organization.

### **Internal Control Function**

- The Company has established efficient and effective internal control systems.
- The Board approves the company’s organizational structure consistent with the company’s strategy and activities, job descriptions with details roles and responsibilities, and formal policies and procedures for all company’s functions and processes, the implementation of which is monitored by Internal Audit. Such policies and procedures determine the duties and responsibilities of each function, the authorities and reporting lines on different management levels in a way that realizes dual control and segregation of duties in order to avoid conflict of functions.
- The company conduct an annual Internal Control Review (ICR) through certified independent auditors other than the company’s external auditors to ensure the adequacy of the internal control systems.
- The company’s Whistle-Blowing Policy has set procedures enabling employees to contact the Board Chairman to communicate their concerns regarding potential violations that may be carried out by any member of the company (“Whistle-Blower”). The company ensures that whistle-blowers are protected and that they are not subject to any threats or penalties in case their legitimate concerns are proved incorrect.

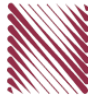


## **Risk Management Function**

- The company has an independent department of Risk Management, which identify, measure, and monitor Risks associated with the company's activities.
- While the Risk Management function is independent from the other business units, it has access to all internal and external business lines, so as to understand them or request certain related information to assess exposures in an appropriate way.
- The head of Risk Management (HRM) is responsible for the company's risk management function and has direct access to the Board Risk Committee. The HRM has the authority to influence the company's decisions pertaining to exposure to risks. The HRM is appointed by a recommendation from Risk Management Committee prior to the Board's approval and his/her services cannot be terminated or dismissed from his/her position for any reason without the prior approval of the Board.

## **Risk Committee**

- The Board Risk Committee comprises of three Board non-executive members including Committee Chairperson, one of whom is an independent board member. This Committee is responsible for giving advice to the Board on the company's present and future risk strategy, appetite and monitoring senior management implementation of this strategy.
- The Risk Committee shall review Risk Management policies and strategies prior to the Board's approval. Senior management shall be responsible for implementing these strategies in addition to developing the policies and procedures for managing all types of risks.
- The senior management shall lay down risk management structure, role, responsibilities and methods of development, provided that the structure and role are reviewed by the Risk Committee prior to the Board's approval.
- The Head of Risk Management presents reports directly to the Chairman of the Risk Committee.

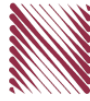


## **Internal Audit**

- The Company is outsourcing the internal audit function that is being held by a registered independent firm registered by the CMA.
- In addition, NIC Board of Directors has appointed an Internal Auditor in charge to be responsible of coordinating the IA functions & ensuring its efficiency. Such a person is approved & registered by the CMA.
- The primary objective of the Internal Audit is to assist Board of Directors (through the Internal Audit Committee) and Management in the discharge of their management and oversight responsibilities through independent audits and review designed to evaluate and enhance the effectiveness of risk management, internal control systems, information systems and governance processes within the Company. The scope of Internal Audit covers all business, operational and support units of the Company, including controlled subsidiaries.
- The key responsibilities of the Internal Audit function include the following:
  1. Review the adequacy and effectiveness of internal control systems.
  2. Review the Company's compliance with applicable laws and regulations.
  3. Appraise sufficiency of an adherence to the Company's approved policies and procedures.

## **Internal Audit Committee**

- The Internal Audit Committee comprises of three Board members as per CMA by law, the committee should include at least one non-executive member, one of whom shall be the Chairperson of the Committee. At least one member of the Internal Audit Committee shall be qualified in financial business. NIC is keen to implement all CMA conditions to ensure the efficiency of the committee.



- The main responsibilities of the Internal Audit Committee as per set by the CMA are as following:
  1. Review periodical financial statements prior to their submission to the Board of Directors and provide such Board with opinion and recommendation concerning them, in order to ensure fairness and transparency of financial statements.
  2. Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the external auditors, and specify the remunerations thereof.
  3. Follow up works of external auditors and ensure no services other than services related to audit functions are provided to the Company.
  4. Consider remarks of external auditors on the Company financial statements and follow up measures taken accordingly.
  5. Evaluate the extent of sufficiency of internal audit systems in place, and prepare a report including the opinion and recommendations of the committee in this regard.
  6. Review and approve audit plans proposed by the internal auditor and provide feedback.
  7. Review the results of the internal audit reports and ensure that the necessary corrective actions were taken.
  8. Review the outcomes of the regulatory bodies' reports and ensure that necessary action was taken.