

# Internal control system

## Responsibility of the Board of Directors

The Board of Directors is responsible for the internal control system within ADNOC Distribution and has established a number of processes and procedures which are designed to ensure the effectiveness of our internal control system.



## Our internal control system

The key objectives of the internal control system are:

- 1

**Creating** control mechanisms that ensure efficient business processes and the implementation of the Company's objectives.
- 2

**Ensuring** the safety of the Company's assets and efficient use of its resources.
- 3

**Protecting** the interests of the Company's shareholders and preventing and resolving conflicts of interest.
- 4

**Creating** conditions for timely preparation and submission of reliable reports and other information that is legally required to be publicly disclosed.
- 5

**Ensuring** the Company's compliance with applicable laws and requirements of regulators.

In addition to the functions and remit of the Board of Directors, the Company's internal control system is embedded in the Company at three levels:

### Level 1

The heads of the various departments and divisions within the Company are responsible for assessing and managing risks and building an efficient control system for their functions.

### Level 2

Appropriate internal departments and committees (including our Internal Control, Enterprise Risk Management and Compliance functions) are responsible for developing, communicating and monitoring appropriate policies, processes and procedures.

### Level 3

The Company's Audit & Assurance function conducts independent assessments of the efficiency of the internal control system.

## Audit and Assurance function

The Board of Directors has approved and implemented governance functions and structures, including an Audit & Assurance Division that is independent of our management and reports directly to the Company's Audit Committee.

The key objective of the Audit & Assurance function is to provide assurance and advice on the adequacy of the Company's internal control environment, corporate governance framework and risk management processes.

In order to enhance the independence of our Audit & Assurance Division, it reports functionally to our Audit Committee and administratively to the Company's Chief Executive Officer. Audit and Assurance's charter, methodologies and the risk based internal audit plans are approved by the Audit Committee. Our Audit & Assurance Division is headed by Mr. Mohamed Saleh who was appointed as Vice President Audit & Assurance in December 2017. Mr. Saleh communicates Audit recommendations to the executive management

and to our Audit Committee on a regular basis.

The Audit & Assurance Division utilizes state of the art automated software which enhances performance and efficiency of activities related to internal audit. This Audit Management System (AMS) covers all phases of audit from Planning, Execution, Reporting and Follow-up as well as receiving feedback from audit clients via a satisfaction survey.

It utilizes a third party to perform regular reviews of our Audit & Assurance processes and methodology which ensures alignment with industry best practices and regulatory requirements. Our Audit & Assurance activities are performed by a team of appropriately, qualified and experienced members. Additionally, a continuous improvement process is implemented through the use of a learning and development framework that is designed to ensure that the Audit & Assurance team members maintain and upskill their competencies and capabilities.

Risk management

The Company has implemented an integrated enterprise risk management system, which showcases its commitment to protecting the business and the interest of all stakeholders. This Enterprise Risk Management system:

- Facilitates risk informed strategic planning to achieve business objectives and identify potential business opportunities;
- Supports the Company in identifying and managing key strategic, functional, investment and project risks (including the use of an objective driven process);
- Assesses the identified risks and the potential impact of such risks on the Company and its key objectives;
- Enhances corporate performance as processes become more risk aware and control focused; and
- Strengthens the Company’s resilience to market disruption and evolving business practices.

The Company’s risks are monitored by a dedicated enterprise risk unit and this unit provides quarterly reports to the Audit Committee and Board of Directors.

Compliance and control

The Company has established and maintains an internal control framework that provides our executive management and Board of Directors with reliable assurances on the health of our internal controls. These controls are designed to ensure that we are able to: (i) continually meet the operational and financial objectives of the Company; (ii) properly manage risks; (iii) ensure the validity and transparency of the information we provide to our stakeholders; and (iv) comply with applicable laws and regulations.

The Company’s internal control system is designed in accordance with the globally recognized COSO (Committee of Sponsoring Organizations) framework,

which sets the standard for effective internal controls. This framework provides a structured methodology for managing risks and ensuring the accuracy and reliability of processes. It encompasses essential components such as the control environment, risk assessment, control activities, information and communication, and continuous monitoring, all of which are integral to mitigating risks.

Furthermore, ANDOC Distribution’s internal control practices are fully compliant with the Abu Dhabi Accountability Authority’s (ADAA) Regulation No. 88 of 2021, related to ‘Standards on Auditing Financial Statements of Entities Subject to Abu Dhabi Accountability Authority’ which mandates the Statutory Auditor to ensure the auditor’s report or reports shall include the following:

- Financial Statement audit report.
- Report on the effectiveness of internal control systems over financial reporting (ICFR).
- An opinion on the entity’s compliance with legal and regulatory requirements.
- An opinion on the statement of service performance information, taking into account the circulars and legislations related to the nature of the entity.

The regulation mandates rigorous oversight and evaluation of internal controls for entities under the purview of the Abu Dhabi government. By adhering to both the COSO framework and Abu Dhabi Accountability Authority’s (ADAA) regulations, ANDOC Distribution upholds the highest standards of financial reporting integrity, governance, and accountability.

Our compliance and control functions are among other things, responsible for ensuring that the Company conducts its business in full compliance with all relevant laws and regulations, as well as professional standards, accepted business practices and internal standards.

Our compliance and control functions perform a number of tasks that are designed to ensure that our internal control system is effectively implemented and managed. These include:

- Discussing the internal control system with the Board of Directors;
- Considering the results of primary investigations in internal control issues;
- Studying internal control reports and following up the implementation of corrective measures arising from the findings of such reports; and
- Setting rules that enable ADNOC Distribution’s staff to confidentially report any potential violations in financial reports, internal control etc.

The General Counsel of the Company oversees the Company’s Legal, Compliance and Governance functions. The Compliance Officer as of December 31, 2024 was Sergey Konov, who holds a Law Degree from the State Linguistic University, Russia, and was appointed in this role in August 2024. The Chief Financial Officer of the Company oversees the Internal Control function and the Enterprise Risk Management function.

The Head of Internal Audit as of December 31, 2024 was Mr. Mohamed Saleh who is a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), has obtained Certification in Risk Management Assurance (CRMA) and holds a Master’s Degree in Finance from Birmingham City University, UK, and was appointed in this role in December 2017. Together, the General Counsel and Chief Financial Officer are responsible for ensuring that, through the input of these functions, we consistently operate in accordance with the highest international standards.

They ensure that these functions provide continued oversight of our control system. This helps to ensure that our control system is embedded in all of our key processes so that we are able to ensure that our strategic and business objectives are achieved within the required risk tolerance levels.

Identified issues and recent developments

There were no significant issues identified with respect to our compliance and control systems in 2024.

Violations committed during 2024

No violations were committed by ADNOC Distribution in 2024.

