

# 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 the Company's internal control system.



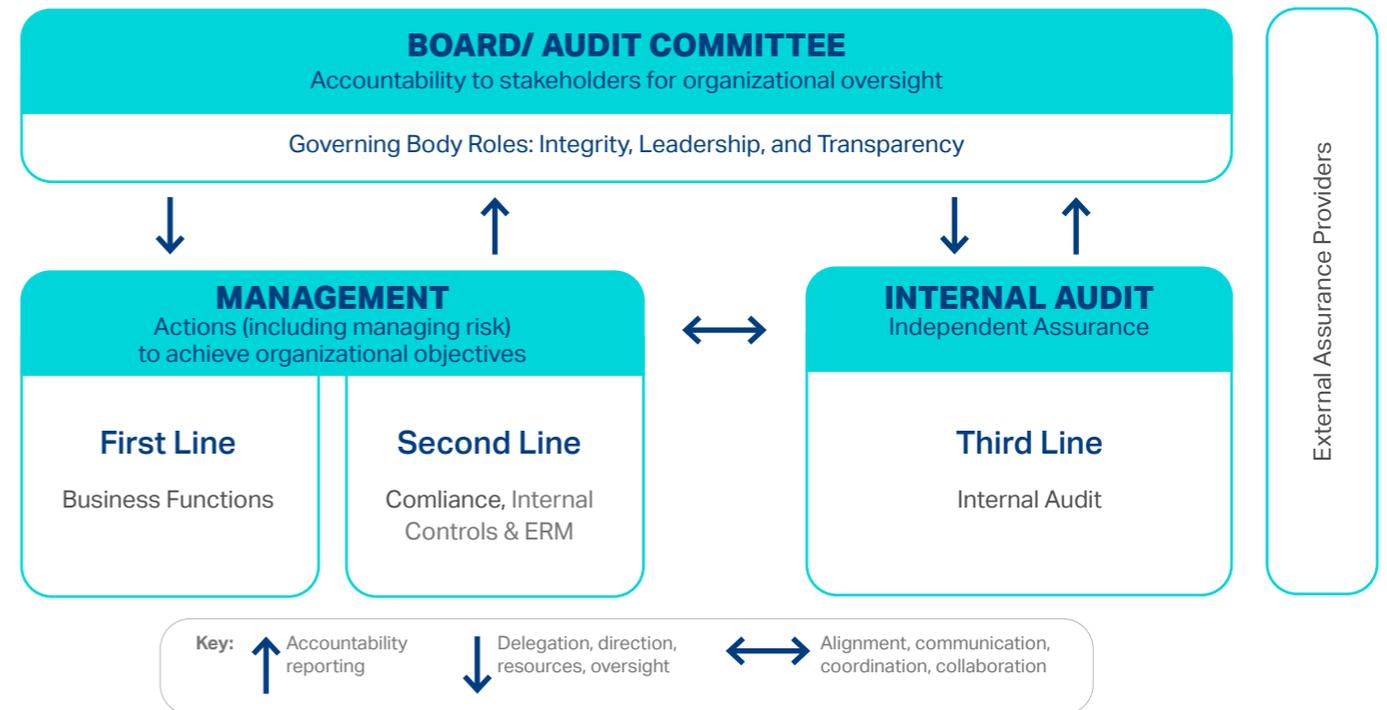
## The Company's internal control system

The key objectives of the internal control system are:

- **Creating** control mechanisms that ensure efficient business processes and the implementation of ADNOC Distribution's objectives;
- **Ensuring** the safety of ADNOC Distribution's assets and efficient use of its resources;
- **Protecting** the interests of ADNOC Distribution's shareholders and preventing and resolving conflicts of interest;
- **Creating** conditions for timely preparation and submission of reliable reports and other information that is legally required to be publicly disclosed; and
- **Ensuring** ADNOC Distribution's compliance with applicable laws and requirements of regulators.

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

- Level 1:** the heads of the various departments and divisions within ADNOC Distribution 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 the appropriate policies, processes and procedures; and
- Level 3:** ADNOC Distribution's Audit and Assurance function conducts independent assessments of the efficiency of the internal control system.



## Audit and assurance function

The Audit & Assurance Division operates independently, reporting functionally to the Audit Committee and administratively to the CEO, as mandated by ADAA and CMA governance frameworks. Its objectives include:

- Providing assurance on internal controls, governance, and risk management.
- Executing a risk-based audit plan approved by the Audit Committee.
- Leveraging advanced Audit Management Systems (AMS) for planning, execution, reporting, and client feedback.

- Maintaining independence through periodic external quality reviews and continuous improvement programs.
- Ensuring team competency via structured learning and development frameworks.

The Division is led by Vice President Audit & Assurance, Mr. Mohamed Salum Saleh, who regularly communicates audit outcomes and recommendations to executive management and the Audit Committee.

## Risk management

ADNOC Distribution has established a comprehensive and integrated Enterprise Risk Management (ERM) framework, underscoring its commitment to safeguarding business continuity and protecting the interests of all stakeholders. This framework is designed to embed strategic risk assessment and risk awareness across the organization and enable proactive decision-making.

### Key features of the ERM framework include:

- **Risk-Informed Strategic Planning:** Supporting the achievement of business objectives by integrating risk considerations into strategic planning and identifying potential opportunities.
- **Comprehensive Risk Identification and Management:** Addressing strategic, operational, investment, and project-related risks through an objective-driven approach.
- **Impact Assessment:** Evaluating identified risks and their potential implications on ADNOC Distribution's performance and strategic goals.
- **Performance Enhancement:** Promoting risk-aware processes and robust internal controls to strengthen operational efficiency.
- **Resilience Building:** Enhancing ADNOC Distribution's ability to adapt to market disruptions and evolving business practices.

In addition to providing quarterly reports to the Audit Committee and the Board of Directors—ensuring transparency and informed governance—the ERM unit employs horizon scanning techniques to identify emerging risks and market trends proactively.

To strengthen executive awareness and decision-making, the ERM department issues executive briefings to the Executive Management Team (EMT).

These briefings summarize critical risk developments, emerging issues, and strategic implications, serving as a basis for further discussion and timely action at the leadership level.

## Compliance and control

ADNOC Distribution 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 ADNOC Distribution; (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.

ADNOC Distribution'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, ADNOC Distribution's internal control practices are fully compliant with the 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 ADAA regulations, ADNOC 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 ADNOC Distribution 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 ADNOC Distribution oversees ADNOC Distribution's Legal, Compliance and Governance functions. The Compliance Officer from 31 January, 2025 was Karine Relander, who holds a Master's degree from the University of Brest, France and a Master's degree from the University of Helsinki, Finland.

The Chief Financial Officer of ADNOC Distribution oversees the Internal Control function and Enterprise Risk Management function. The Head of Internal Audit as of December 31, 2025 was Mohamed Salum Saleh, who is a Certified Internal Audit (CIA), Certified Fraud Examiner (CFE), Certified Risk Management Assurance and (CRMA) and holds a Master's Degree in Finance from Birmingham City University, United Kingdom. Mr. Salum Saleh was appointed to this role in December 2017.

Together, the General Counsel and Chief Financial Officer are responsible for ensuring that, through the input of these functions, the Company consistently operates in accordance with the highest international standards. They ensure that these functions provide continued oversight of our control system, helping to ensure that our control system is embedded in all of our key processes 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 2025.

### Violations committed during 2025

No violations were committed by ADNOC Distribution in 2025.