

## Internal Control Environment

### First: Internal Control Systems:

#### 1) Internal Audit and Control in the Company:

1. "Al-Tijaria" relies in the field of internal audit and control on a carefully selected team within the company to perform the task assigned to them, and the board of directors is committed to ensuring that internal audit and control is a continuous process covering important activities and operations of the company according to the approved audit plan, as internal control systems work to maintain the financial integrity of the company, the accuracy of its data, and the efficiency of its operations from various aspects.
2. The organizational structure of the company takes into account the principles of internal control for dual control processes (Four Eyes Principles), which are represented as follows:
  - Proper identification of authorities and responsibilities.
  - Complete separation of tasks and absence of conflicts of interest.
  - Dual examination and control.
  - Dual signatures.
3. The Board of Directors follows up on the internal control systems through periodic reports issued by committees and departments, ensuring that the Board regularly verifies the neutrality and efficiency of the oversight departments and their independence, which enables them to carry out their work accurately and efficiently. It also ensures the provision of necessary human resources with experience and competence to carry out these tasks. In case there are any observations from any of the company's committees or oversight departments, the Board takes corrective actions immediately through the following channels:
  - Continuous follow-up by the Audit and Risk Committee
  - The Fatwa and Sharia Supervisory Authority (annual report)
  - Internal Control and Audit ICR (annual report)
  - Quality Assurance Report (every three years)
  - Independent departments (Internal Audit Department - Risk Management Department - Compliance and Governance Department).
4. The company commissions an independent auditing firm to conduct an evaluation and review of the internal control systems and prepare a report in this regard (Internal Control Report), which is submitted to the Capital Markets Authority annually. The company also commissions another auditing firm to review and evaluate the performance of the Internal Audit Department periodically every three years, with a copy of this report being submitted to both the Audit Committee and the Board of Directors.

#### 2) Enhancing the Effectiveness of the Internal Audit Function:

- A- The Board of Directors of the company seeks to strengthen and support the internal audit functions of the company by:
1. Having an independent internal audit department with complete technical independence, reporting to the Audit and Risk Committee and subsequently to the Board of Directors.

2. The Head of the Internal Audit Department is appointed directly by the Board of Directors based on a recommendation from the Audit and Risk Committee.
3. The Board of Directors defines the tasks and responsibilities of the Internal Audit Department.
4. The members of the Board and senior management recognize the importance of the internal audit function and convey this importance to all employees in the company.
5. Utilizing the results of internal audits in a timely manner and taking appropriate corrective actions by management.
6. Ensuring the independence of the internal audit function.
7. Involving the internal audit in assessing the effectiveness of internal control procedures and recommending improvements.
8. The governance manual appendix includes the job description for the Head of the Internal Audit Department.

**B- The Audit and Risk Committee follows up on periodic plans and procedures to ensure:**

1. Comprehensiveness of the scope, objectives, and tasks of the internal audit function.
2. Independence of the internal auditor.
3. Comprehensiveness and relevance of the audit plan.
4. Integrity and impartiality of the internal audit function.
5. Professional competence.
6. Internal audit procedures.
7. Follow-up on periodic reports and observations of the internal auditor and the corrective actions taken.

### 3) Internal Audit Reports:

Internal audit provides regular, periodic reports on the results of the audits conducted, verifying that the internal control processes and controls have been formulated by management and are being implemented properly. After review and deliberation by the internal auditor and relevant departments, these reports are then submitted to the Audit and Risk Committee for discussion and recommendations. The final results are then presented to the Board of Directors. Internal audit reports also include a review and evaluation of the company's internal control systems and are submitted to the Audit and Risk Committee and the Board of Directors. These reports generally include the following:

1. Control procedures and supervision of the efficiency and effectiveness of the internal control systems necessary to protect the company's assets, the accuracy of financial data, and the efficiency of its operations in its management, financial, and accounting aspects.
2. A comparison of the evolution of risk factors in the company and the existing systems to assess the efficiency of operations and the ability to cope with unexpected market changes.
3. An evaluation of the performance of the Board of Directors and executive management in implementing internal control systems, including determining the instances in which the board was informed of oversight issues and how the board addressed these issues.
4. Any failures in implementing internal controls, weaknesses in their application, or emergencies that have affected or may affect the company's financial performance, and the measures taken to address those failures.

### 4) Strengthening Sharia Supervision Tasks:

- 1- The importance of Sharia supervision stems from the uniqueness of Islamic work, which is represented by the presence of the Sharia aspect in all aspects of the company's work, activities, and transactions, as well as in granting the necessary importance to reviewing the company's compliance in all its operations and transactions with the provisions and principles of Islamic law, thus contributing to fostering an atmosphere of trust among the company's shareholders and its partners.
  - 2- Sharia supervision is an integral part of the internal control system and operates in accordance with the company's policies. The scope of the Sharia Supervisory Board's work includes examining and evaluating the adequacy and effectiveness of the company's Sharia supervision system to ensure the suitability of the existing system, the extent of compliance with it, and whether it provides reasonable assurance that the company's management has fulfilled its responsibilities to ensure the implementation of Islamic Sharia provisions and principles, as determined by the contracted Sharia Supervisory Board.
  - 3- The tasks of Sharia compliance are reinforced through:
    - A- The members of the board of directors recognizing the importance of working in accordance with the principles and rulings of Islamic law, which helps maintain the trust of shareholders and mitigate reputational risks.
    - B- A professional conduct and ethical values charter has been established within the company, along with a set of policy and procedure guidelines that align with the provisions and principles of Islamic law.
    - C- Ensuring the independence of Sharia compliance tasks by appointing an external body as the Sharia supervisory board composed of scholars recognized for their competence and experience in the field of Islamic law and who have expertise in Islamic financial transactions.
    - D- Preparing a charter for the Sharia supervisory board that outlines the objectives, tasks, and responsibilities of the Sharia Supervisory Board in the company.
    - E- The Sharia supervisory board submits a report on the company's transactions to the company's general assembly after it has been reviewed by the company's board of directors.
- 5) **Promoting the Concept of Compliance and Governance:**
1. Compliance with regulations, standards, instructions, and laws is considered one of the most important foundations and success factors for the company. It maintains its reputation and credibility while safeguarding the interests of shareholders and stakeholders, providing protection from regulatory penalties.
  2. Compliance is also a comprehensive and multifaceted responsibility that falls on all parties within the company, starting from the Board of Directors and senior management down to all employees, each according to their authorities and assigned tasks.
  3. The Board of Directors recognizes the importance of compliance and has undertaken the following actions:
    - A. Establishing an independent Compliance and Governance department that directly reports to the Governance and Sustainability Committee, which then presents its reports to the Board of Directors for approval.
    - B. Forming a special committee for Governance and Sustainability to monitor the tasks of compliance and governance within the company.
    - C. Approving the working charter for the Governance and Sustainability Committee.
    - D. Evaluating the Compliance and Governance program plan at least once a year through governance reports to assess the company's effectiveness in fulfilling its compliance and governance responsibilities.
    - E. Approving a guide to policies and procedures for Compliance and Governance Department.

F. The governance guide annex includes the job description for the Manager of Compliance and Governance Department.

#### 6) Compliance and Governance Reports:

The company is committed to the regulatory requirements for the following reports:

1. An annual report is prepared to be read at the company's annual general assembly, which includes the requirements and procedures for completing corporate governance rules and the extent to which they are adhered to. This report must be included in the annual report prepared on the company's activities, stating the rules that were complied with and those that were not, along with justifications for any non-compliance. A copy of the governance report is to be provided to the Capital Markets Authority before the date of the company's ordinary general assembly.
2. The Audit Committee report is to be prepared annually and read at the company's annual general assembly, and a copy of the Audit Committee report is to be provided to the authority before the date of the company's ordinary general assembly.
3. The Capital Markets Authority - Supervision Sector: Corporate Finance and Governance Department - is to be provided annually with evidence of the implementation of the requirements outlined in the corporate governance rules issued by the authority, with the report to be submitted no later than ten working days from June 30 through the authority's electronic portal.

#### Secondly - Risk Management:

##### 1) An overview of risk management in the company:

1. A specialized consulting office has been appointed to undertake the tasks of the Risk Management Unit.
2. The Commercial Real Estate Company is keen on managing risks as a fundamental aspect of the company's strategic management, and the company manages risks according to the philosophy of "Risk management is everyone's responsibility.
3. Therefore, the company has made it a priority to adopt a set of policies and procedures organized to address the risks associated with its activities, aiming to achieve a balance between the levels of risk tolerance and the expected return from each activity individually, and thus from all the company's activities in general.
4. In continuation of implementing conservative risk management policies in the company over the past years, the company has focused on developing risk management policies and strategies and diversifying its investments in terms of sectors and geographic distribution. This aims to ensure diversity and reduce the level of exposure to market risks and concentration risks. The company also focuses on enhancing the integration between risk management and its strategic objectives to ensure the achievement of sustainable value. It adopts a data-driven and analytical approach to support decision-making processes and reduce the impact of potential risks on operations.
5. In addition to adopting various methods to deal with the surrounding risk types that the company's operations may face by transferring risks, sharing risks, rejecting risks, or accepting controllable risks and developing mitigation plans to minimize them in accordance with the objectives, returns, and cost-effective criteria for the risk management process.

6. The company has worked to establish a risk management culture within the work environment by adopting comprehensive policies that are periodically reviewed from a risk management perspective, clearly defining the roles and responsibilities of each manager and employee. This approach aims to integrate risk management tasks into daily operations, enhancing the principle of accountability and improving performance efficiency at all functional and managerial levels within the company.
7. The appendix of the governance manual includes the job description for the risk management officer.

## 2) The Concept of Risk Management:

Risk management is a fundamental part of the company's oversight and strategic management processes. It consists of the procedures followed by the board of directors and the executive management in an organized manner to identify, address, and confront the risks associated with the company's various activities by understanding the potential positive and negative factors of all events, influences, and elements that may affect the company's operations, and systematically dealing with all the risks surrounding its activities to determine the type and magnitude of risks it may face and identify the methods to avoid, confront, or mitigate those risks while working to maintain the level of risks within acceptable ratios in relation to expected benefits.

## 3) Risk Management Strategy:

The board of directors determines the types and magnitudes of risks acceptable to the company and strives to maintain risk management levels within the correct framework to safeguard the company's interests. It is of high importance to have a clearly defined strategy for risk management within the company to protect the company's investments and assets, utilizing studies and reports related to risks and reviewing them.

## 4) Scope and Framework:

To achieve the company's investment and business objectives, the risk management process must be effectively executed as it is essential for establishing a continuous, proactive, and organized approach to understanding, managing, and reporting significant risks in every business unit and each commercial transaction. All departments and divisions of the company must adhere to and comply with the risk management policy. The risk management framework includes, but is not limited to, the following:

1. Understanding the company's objectives.
2. Identifying risks associated with business activities and the potential impacts of specific risks.
3. Developing programs to address identifiable risks.
4. Monitoring and evaluating risks, as well as procedures and arrangements established to address them.

## 5) Risk Management Approach:

The process of developing a risk management policy considers a number of summarized steps as follows:

1. Identifying and assessing the types and scope of risks associated with the company's activities, business, and investments.
2. Reviewing key risk areas as necessary and reporting on them.
3. Establishing a plan and criteria to mitigate risks and their impacts.
4. Disseminating and discussing the contents of the risk statement with relevant management members and developing methods and policies to address and mitigate risks.

### Thirdly- Independence and neutrality of the external auditor:

- The company is committed to adhering to the instructions and regulations related to the appointment of the company's auditor, taking into account the following:
  - A. Ensuring the independence and impartiality of the external auditor relative to the company and its Board of Directors.
  - B. The annual ordinary general assembly shall appoint the company's auditor based on the proposal of the Board of Directors, taking into account the following:
    1. Nominating the auditor based on a recommendation from the Audit and Risk Committee submitted to the Board of Directors.
    2. Selecting auditors registered in the Authority's special register, meeting all the requirements stipulated in the Authority's resolution in this regard.
    3. Ensuring the independence of the external auditor and ensuring that he does not undertake additional work for the company, which is not part of the audit and review process and may affect their impartiality and independence.
    4. Inviting the auditor to attend meetings of the Audit and Risk Committee to discuss his views on the interim and annual financial statements with its members. His comments, if any, along with the committee's recommendations, shall be submitted to the Board of Directors for decision.
    5. Enabling the external auditor to attend general assembly meetings and read the report prepared by him to the shareholders, explaining any obstacles or interference he encountered from the Board of Directors during the performance of his duties. The external auditor must also inform the Authority of any material violations or obstacles and their details.

### Fourth: Integrated Reporting Systems:

#### 1) The Importance of Integrated Reporting Systems:

- Integrated reporting systems are an effective tool in achieving the company's strategic objectives and, consequently, creating corporate value. Therefore, the company is continuously developing its internal integrated reporting systems to become more comprehensive. This helps both the board of directors and executive management make systematic and sound decisions, thereby achieving shareholder interests.
- The reporting system is also one of the most important tools for effective oversight and monitoring of the company's activities and tasks, as well as the performance of its departments. The Finance and Strategic Planning Department prepares the integrated report in coordination with the Risk Department, and reports are submitted annually to the CEO, at least by May at the latest, to assess the results of operations and inform decision-making based on a clear vision and accurate, up-to-date information.

#### 2) The Characteristics that should be present in the Integrated Report:

1. **Focus on Strategy:** The report should include an explanation of the company's strategic objectives, the procedures and policies it follows to achieve these objectives, and a mechanism for linking the company's ability to achieve these objectives with the creation and maintenance of corporate values within the company.
2. **Overview of the Company's Structure and Business Model:** The report should include an explanation of the company's business model, the external factors that impact the company's financial position, and the efforts the company makes to ensure efficient business operations and maintain them in the short, medium, and long terms.
3. **Risks Facing the Company:** The report should review the company's activities and the associated risks, as well as clarify performance indicators and how they are measured. It should also include opportunities available to the company to expand its business and maximize profits.
4. **Future Direction and Expectations:** The report should include management's expectations regarding the future of the company's activities, an assessment of the difficulties it may face, identification of high-risk activities for review priority, and identification of the opportunities, challenges, and threats facing the company in achieving its strategic objectives.
5. **Brevity, Accuracy, and Materiality in Presenting Information:** The information and data presented in the report must be comprehensive and consistent, concise, accurate, and relevant enough to facilitate sound decision-making by executive management or any other decision-maker.
6. **Periodicity of Reports:** Reports must be presented periodically (at least annually), updated with the latest information and developments, and prepared according to timeframes that serve the short, medium, and long term.