



Agenda Item 1



Annual Board of Directors report for the fiscal year ending on 31-12-2024.

To review and read the Board of Directors' Report for the fiscal year ending on 31-12-2024, please follow the below link:



The Audit Committee Report

The Audit Committee met five times during 2024 to fulfill its primary role in assisting the Board to meet its duties related to overseeing the quality, soundness, and integrity of accounting policies, practices, and financial statements, the efficiency and effectiveness of audit systems, internal controls, and risk management, in addition to the Company's relationship with the External Auditor and ensuring their independence and impartiality. Further, the Audit Committee performance was evaluated by the Nomination and Remuneration Committee. The Committee's key responsibilities in 2024 included the following:

- Reviewing and discussing the engagement letter of the Company's External Auditor and recommending their nomination to the Board.
- Recommending to the Board the approval of the Company's interim and annual financial statements after discussing them with the Company's Management and External Auditor.
- Meeting the Company's External Auditor periodically to verify their independence and the effectiveness of their audit plans and related activities, while responding to their queries and following up on their observations.
- Overseeing the Company's Internal Audit function, approving its annual audit plan, and ensuring the availability of the necessary resources and competencies to perform its duties effectively. During the year, the Committee recommended to the Board of Directors the appointment of a new Head of Internal Audit and proposed his annual appraisal and compensation.
- Reviewing the Internal Audit reports and periodically following up on the implementation of audit findings' corrective actions.
- Recommending the engagement of a specialized external consultant to update the risk management framework and processes.
- Recommending the engagement of a specialized external consultant to follow-up on the corrective actions of the Internal Audit findings pertain to IT systems and information security.

- Reviewing related party transactions and providing its recommendations to the Board for their approval.
- Meeting with the Company's Zakat and Tax consultant to review the required evaluation processes and results and ensure that they are in compliance with the applicable laws and regulations.
- Obtaining Executive Management's confirmations around the effectiveness of the Company's internal controls and risk management systems, as well as its compliance with applicable laws, regulations, and policies.
- Overseeing the Company's whistleblowing program and following up on investigations and its results.

Preparation of Financial Statements and External Auditor Work

There is continuous collaboration between the Company's Executive Management and the External Auditor to ensure the integrity of the Company's financial and accounting systems in accordance with relevant local and international standards, laws, and regulations.

Executive Management is responsible for preparing and presenting the financial statements and ensuring compliance with accounting policies and necessary disclosures, while the External Auditor review and verify the accuracy and correctness of the financial statements by evaluating accounting policies, testing financial data, and assessing the adequacy of the Company's disclosures.

The Audit Committee maintains regular communication with both Executive Management and the External Auditor to ensure they fulfill their responsibilities with the expected level of professionalism and quality.

Internal Controls and Risk Management

SISCO Holding's Executive Management is responsible for designing and implementing effective internal control and risk management systems, under the supervision of the Board, to ensure the efficiency and effectiveness of the Company's operations within its risk appetite, while protecting its assets, maintaining the reliability of its financial reporting. The Company is also committed to continuously updating its enterprise risk management framework and processes by adopting leading best practices in the field of risk management.

SISCO Holding adheres to the Institute of Internal Auditors' Three Lines of Defense model for managing risk and implementing effective internal controls. This model is structured with clearly defined roles and responsibilities.

The first line of defense lies with operational management and process owners who are responsible for maintaining internal controls and managing risks daily. The second line consists of supporting functions that oversee and monitor the first line of defense and report any deviations to Executive Management. The third line of defense is the Internal Audit, which operates independently from Executive Management and reports functionally to the Audit Committee.

Portfolio Companies of SISCO Holding are accountable for their internal control and risk management systems. SISCO Holding coordinates its involvement through its representation on their respective Boards and/or Audit Committees. The Audit Committee receives regular updates from SISCO Internal Audit Department on the internal audit and whistleblowing programs of SISCO Portfolio Companies and also oversees the respective joint assurance initiatives.

Compliance with Relevant Laws, Regulations, and Policies

The Executive Management plays a crucial role in ensuring the Company's compliance with relevant laws, regulations, and policies. It is responsible for developing strategies and operational plans that ensure proper compliance, creating a work environment that promotes a culture of compliance through clear policies and procedures, providing necessary training for employees, and conducting reviews to ensure compliance with the required regulations and laws, while taking corrective actions when needed. Additionally, Executive Management collaborates with the Audit Committee to ensure transparency and enhance governance, which contributes to risk reduction and builds trust among stakeholders.

The Committee reviews internal and external audit reports to ensure that there are no violations or deviations that may continuously affect the Company's compliance or performance. It also helps evaluate the effectiveness of internal control systems and adopted policies, offering recommendations to enhance compliance and reduce risks associated with non-compliance.

All Portfolio Companies are responsible for adhering to the relevant laws and regulations related to their operations, providing accurate and transparent compliance reports to their Boards of Directors, which include members representing "SISCO Holding," to ensure compliance monitoring, potential risk analysis, and appropriate decision making.

Opinion of the Audit Committee

The Audit Committee, based on periodic reports from Internal Audit and the Company's External Auditor, along with written confirmation of the effectiveness of internal and financial controls from Executive Management, confirms that nothing has been brought to its attention that would suggest significant deficiency in the Company's internal and financial control and risk management systems. The Committee, however, notes that the Company's Executive Management is reasonably working on improving and maturing its internal control systems and risk management frameworks to face the potential risks, while taking into consideration that no internal control and risk management system, no matter how well-designed and implemented, can provide absolute assurance against potential risks, and is always subject to continuous improvement.

Mr. Nader Mohammed Saleh Ashoor

Audit Committee Chairman

Nader Ashoor

Signature: Nader Ashoor
Nader Ashoor (May 19, 2025 08:42 GMT+3)

Email: nader.ashoor@sisco.com.sa