



**Board Audit Committee
(BAC) Annual Report**

For The Year Ended 31/12/2024

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To: The Esteemed Shareholders, Chairman, and Members of the Board of Directors of Entaj Company,

Greetings,

This report presents a summary of the activities and tasks undertaken by the Audit Committee (hereinafter referred to as "the Committee") during the year 2024, in accordance with the responsibilities assigned to it as outlined in the Audit Committee Charter of Entaj Company (hereinafter referred to as "the Company"). The report also reflects the Committee's adherence to best corporate governance practices and the requirements of the Corporate Governance Regulations issued by the Capital Market Authority of Saudi Arabia, as well as the Companies Law and its executive regulations. Additionally, the report provides the Committee's opinion on the adequacy of the Company's internal and financial control systems, and risk management.

First: Introduction

The Audit Committee is one of the committees formed by the Board of Directors of Entaj Company and is composed of three members, including individuals with expertise in financial affairs. During the year 2024, the Committee held eight meetings, either at the Company's headquarters or via virtual conferencing.

This annual report on the activities of the Audit Committee for the year 2024 has been prepared in accordance with Article (88) of the Corporate Governance Regulations issued by the Capital Market Authority, Article (41) of the Articles of Association of Entaj Company, and in compliance with the requirements of the Companies Law and its executive regulations.

Second: Formation of the Board Audit Committee

The Committee is composed of three members, including an independent member with expertise and specialization in financial and accounting matters.

#	Members Name	Independence	Specialization	Membership
1	Mr. Rami Hasan Farhat	Independent	Board Member	Chairman of the Audit Committee
2	Mr. Lotfi Qasim Echhade	Independent	Financial and Accounting Specialist	Member of the Audit Committee
3	Mr. Mohammed Mahmoud Abu Deiab	Non-Executive	Governance & Internal Audit Specialist	Member of the Audit Committee

Third: Audit Committee Meetings During the Year 2024

During the year 2024, the Audit Committee held a total of eight (8) meetings, which included regular and independent sessions with both the external auditor and the internal auditor. These meetings were conducted as part of the Committee's oversight responsibilities and to enhance the effectiveness of internal control, disclosure, and governance practices.

#	Members' Attendance / Committee Meetings	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	Number of Attendances	Attendance Percentage
1	Mr. Rami Hasan Farhat *1	-	-	-	-	✓	✓	✓	✓	4	100%
2	Mr. Lotfi Qasim Echhade	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
3	Mr. Mohammed Mahmoud AbuDiab	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
4	Mr. Khaled Abdullah Al-Rubaian *2	✓	✓	✓	✓	-	-	-	-	3	75%

*1 Mr. Rami Farhat was appointed as Chairman of the Audit Committee on September 1, 2024, in accordance with the approved procedures.

*2 Mr. Khaled Al-Rubaian resigned from his membership in the Audit Committee effective September 1, 2024, in accordance with the approved procedures.

Fourth: Summary of the Activities Performed by the Audit Committee During the Year 2024

The Audit Committee at Entaj is responsible for overseeing the company's operations by supporting the Board of Directors in effectively and efficiently carrying out its supervisory duties. The Committee ensures the integrity and accuracy of the company's financial statements and internal control systems. Specifically, its responsibilities include reviewing the interim and annual financial statements, reviewing significant matters that may impact financial reporting, ensuring the proper application of approved accounting policies, and providing opinions and recommendations regarding such policies. The Committee is also tasked with reviewing and assessing internal control systems, overseeing internal audit activities, reviewing its audit reports, and monitoring the implementation of corrective actions. Additionally, it nominates external auditors, ensures their independence, and reviews their plans, work, and audit reports, including any comments on the financial statements and the corresponding necessary actions. The Committee also ensures the company's compliance with relevant laws and regulations and emphasizes the importance of having mechanisms for reporting complaints related to internal controls and financial reporting.

In 2024, the Committee undertook the following key activities, which can be categorized as follows:

Financial Statements

- Reviewed and discussed the condensed interim financial statements for the periods ending March 31, 2023, June 30, 2023, and September 30, 2023, as well as the condensed interim financial statements for the periods ending March 31, 2024, June 30, 2024, and September 30, 2024. Additionally, the Committee reviewed the audited annual financial statements for the year ended December 31, 2023. The Committee approved submitting its recommendation to the Board of Directors for approval of the financial statements.

External Auditor

- Monitored the activities of the external auditor, Ernst & Young (EY), and held regular meetings to review the testing results for the first, second, and third quarters of 2023 and 2024. The Committee discussed key issues related to the external audit process, accounting matters during the testing of the three quarters, the progress of the audit plan, requirements for preparing condensed interim financial statements, and the primary

accounts and items examined. The Committee confirmed the external auditor's independence.

- Reviewed proposals for the external audit services for the year 2024, evaluating them from technical, professional, and financial perspectives. The Committee recommended to the Board of Directors the renewal of the contract with the current external auditor, Ernst & Young (EY), to include audit services for the financial statements for the year ending December 31, 2024, and the review of interim financial statements for the periods ending March 31, 2024; June 30, 2024; September 30, 2024; and March 31, 2025.
- Recommended to the Board of Directors to engage the external auditor, Ernst & Young (EY), to issue a comfort letter in connection with the company's listing on the Saudi Stock Exchange (Saudi Tadawul).

Internal Audit

- Reviewed the annual report detailing the activities, plans, and outcomes of the internal audit for the year ended December 31, 2024. In addition to the review of periodic reports on internal audit activities and results, discussions on key findings and audit observations during 2024, and an assessment of the implementation progress of the audit plan. Additionally, the Committee reviewed a summary of the follow-up report concerning the status of corrective action plans addressing observations noted in internal audit reports.
- Approved the updated Internal Audit Charter after thorough review and consideration of necessary amendments. The updates incorporated requirements from the revised International Standards for the Professional Practice of Internal Auditing, effective January 9, 2025, as well as the updated Corporate Governance Regulations issued by the Capital Market Authority.
- Discussed and approved the 2025 budget for the Internal Audit Department and endorsed the performance evaluation mechanism for the Chief Audit Executive for the year 2025.

Governance Charters and Policies

- The committee reviewed the draft of the governance regulations and policies after studying them and reviewing the necessary amendments and updates. The committee approved the recommendation to submit them to the esteemed Board of Directors for approval, with the intent to forward them to the General Assembly of Shareholders for ratification. The recommendation includes the following regulations and policies:
 - Audit Committee Charter
 - Authority and Delegation Policy
 - Compliance Policy
 - Conflict of Interest and Business Ethics Policy
 - Internal Governance Charter
 - Corporate Social Responsibility Policy
 - Policies for Board of Directors and Committees Membership Standards and Procedures, and Senior Executive Nomination
 - Delegation of Authority Level 1
 - Disclosure Policy
 - Profit Distribution Policy
 - Executive Committee Charter

- Insider Trading Policy
 - Investor Relations Policy
 - Nomination and Remuneration Committee Charter
 - Nomination Policy
 - Remuneration Policy
 - Risk Management Policy
 - Stakeholder Protection Policy
 - Business Competition Standards
 - Whistleblowing Policy
- The committee also reviewed the draft of the Bank Authority Matrix, after studying and reviewing the necessary amendments and updates, proposing appropriate modifications. The committee decided to submit its recommendation to the esteemed Board of Directors for approval, with the intention of referring it to the General Assembly of Shareholders for ratification.

Initial Public Offering (IPO) Plan

- Monitoring updates and progress of the Initial Public Offering (IPO) plan, providing opinions and guidance as necessary.
- Monitoring key matters related to financial and accounting transactions to ensure their alignment with the requirements of the Initial Public Offering (IPO) and their impact on the financial statements and governmental transactions.
- Reviewing the final draft of the prospectus, providing feedback, and submitting it to the IPO Committee for approval.

Financial and Accounting Policies and Transactions

- Monitoring management's compliance with banking covenants and requirements and ensuring the maintenance of an acceptable level of financial indicators.
- Overseeing the update of approved policies for recording biological assets and the policies related to calculating provisions for expected credit losses, ensuring their alignment with relevant accounting requirements.
- Following up on matters related to the adequacy and sufficiency of provisions for any items associated with inventory, outstanding receivables, damaged goods, and assets.

Related Parties

- Monitoring aspects related to agreements made with related parties, including reviewing, updating, and disclosing them.

SAP Application System and Sales System

- Monitoring the progress of the integration process between the SAP application system and the sales application system.

Fifth: Results of The Annual Review of The Effectiveness of Internal Control Procedures for The Year 2024

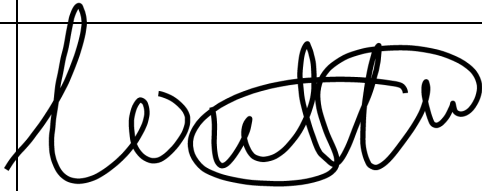
During 2024, the committee focused on priority issues and projects, such as monitoring the execution progress of the Initial Public Offering (IPO) plan, ensuring the implementation of the approved internal audit plan, and discussing the approval of the strategic internal audit plan for 2025-2027 that is based on a risk assessment. The committee also followed up on legal matters, agreements with related parties, and the adequacy and sufficiency of provisions, in addition to other tasks.

The committee reviewed the effectiveness of the internal control procedures based on recommendations and observations provided by the internal audit department, as well as the observations from the company's external auditors. It should be noted that it is not possible to provide absolute assurance regarding the comprehensiveness of evaluations conducted by either internal or external auditors, as assessments are made through random sampling to obtain reasonable assurance about the effectiveness of internal control procedures.

In light of the committee's activities in 2024, and based on the observations provided by the external auditors and the internal audit department, the Audit Committee did not find any fundamental observations or gaps in the company's internal control system that would affect the integrity and fairness of the financial statement and the committee believes that the environment and procedures of the internal control, financial control, and risk management frameworks applied within the company still require strengthening and improvement. The committee also emphasizes the necessity of supporting the finance department with the appropriate and sufficient human resources, and full adherence to the deadlines for issuing financial statements, periodic disclosures, and other regulatory requirements, in compliance with the Capital Market Authority's mandates. Additionally, the committee underscores the importance of monitoring and ensuring the implementation of agreements with related parties.

Moving forward, the committee, in collaboration with the company's management, will continue to work on creating an effective and efficient oversight environment, activating and strengthening governance systems, by providing recommendations for enhancing these aspects within the company and its departments and proposing tools and methods to achieve these objectives. Specifically, in 2025, the committee will focus on monitoring the activities of the internal audit function, reviewing its reports and findings, reinforcing and activating the role of the Enterprise Risk Management and Compliance functions, overseeing the work and observations of the external auditors, ensuring their independence, reviewing key legal reports and issues in coordination with the legal and compliance departments, and focusing on the continued updates to the SAP system and ensuring its effective utilization.

Best Regards,
Board Audit Committee of Entaj Company

<u>Rami Farhat</u>	Chairman of the Committee	
<u>Loutfi Echhade</u>	Committee Member	
<u>Mohammad Abu-Deiab</u>	Committee Member	