Risk *Management*

Risk Management

The urban business environment in Saudi Arabia offers numerous characteristics conducive to investment and reconstruction. Since our inception in 2012, Retal has embraced core business values, propelling us to the forefront of representing urban excellence in the Kingdom.

Adapting to evolving challenges and development opportunities, we have incorporated best practices in Risk Management, delivering tangible value to the company, and its sharholders.

Retal's risk management framework seeks to monitor and maintain risks within acceptable limits. Effective risk management should allow greater control over striking the appropriate balance between the risks that Retal is willing to accept or mitigate.

Commitment Principles

Principles of Risk Management

Inclusiveness

Risks are comprehensively managed across key business processes to ensure the accomplishment of objectives and the seizing of opportunities.

Referential

Risk management is a fundamental pillar supporting decision-making processes.

Dynamic

The risk and audit departments collaborate seamlessly by examining and managing both internal and external risks facing the company.

Aligned

Our policies and processes align with the latest regulations and laws in the Kingdom of Saudi Arabia, as well as the most significant international standards applicable to urban development entities.

Internal Procedures

In alignment with the best international standards of risk management, the Company defines the context of risk which enable the risk identification processes for future events that may impact our goals internally or externally. The external context of Risk encompasses numerous factors, for example:

- Business laws, urban standards, construction safety and quality standards, regulations by both the Ministry of Municipal and Rural Affairs, and the Ministry of Human Resources and Social Development, and the laws and regulations of the Capital Market Authority.
- Social Factors, including alignment with the aspirations of customers in the business and retail sectors, and demographic development.
- Economic factors. Such as interest rates, supply and demand rates in the real estate market, and stock market trends. Simultaneously, we delve into the social, economic, and demographic factors shaping our operational environment.

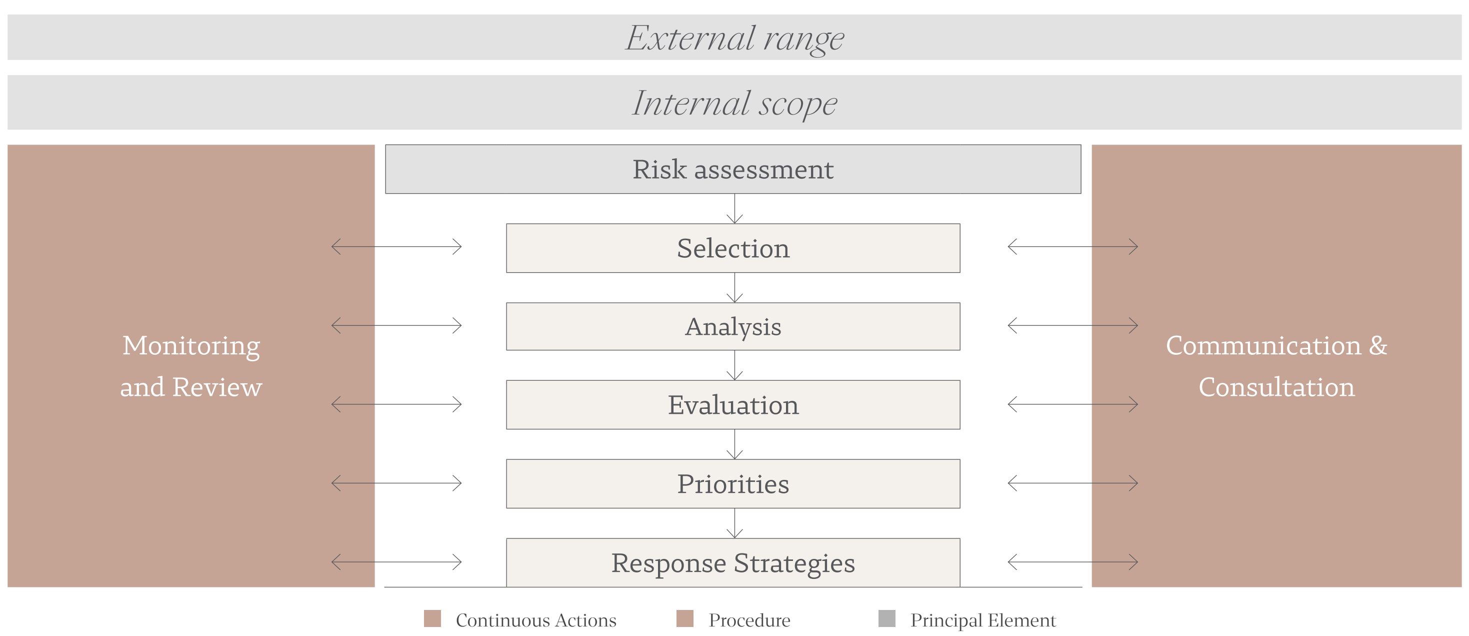
The internal context of Risk extends across various facets, including:

- Internal policies, including governance policies, asset sales and purchases, financial management policies, human resources policies, customer management policies, and community engagement values.
- organizational structure
- relationships with stakeholders and suppliers
- organizational culture, including quality assessment, integrity and employee support

the external context provide with the main foundations for achieving the company's vision and desired value by its stakeholders, the internal context Demonstrate the capabilities to identify the opportunities and mitigates threats that impact the realization of Retal's goals and mission. Upon the established scope, risk procedures are built with adherence to values, principles, and international standards.

Retal adopts a bottom-up approach to risk identification, collaborating with department heads, key operations managers in the value chain, and experienced employees. The Governance, Risk, and Compliance Department provides risk feedback, filtering, cross-referencing, and advice, supporting the documentation, analysis, and assessment of risk according to the company's appetite and tolerance . Response strategies are defined in collaboration with sector heads, documented by the Governance Department, and approved by executive management. With each approved strategy, Retal provides a tailored risk management action plan that outlines its associated risks and procedures.

Supporting the standards of Enterprise Risk Management (ERM), the Governance, Risk, and Compliance Department orchestrates a refined series of follow-up, in-depth reviews and advisory communications, alongside the verification with stakeholders throughout the entire continuum of periodic risk management processes, ultimately, upholding and reinforcing the company's core risk values.



Principal Risk Analysis

Strategic Risks

Revolve around challenges tied to the company's strategic endeavors, encompassing external risks, competition risks, and market volatility risk.

Financial Risks

Encompass challenges tied to the company's fiscal well-being, spanning credit risk, liquidity risk, currency risk, and interest rate risk.

Compliance and Regulatory Risks

Pertain to legal and regulatory requirements within the scope of Retal's operations, ensuring adherence to established norms.

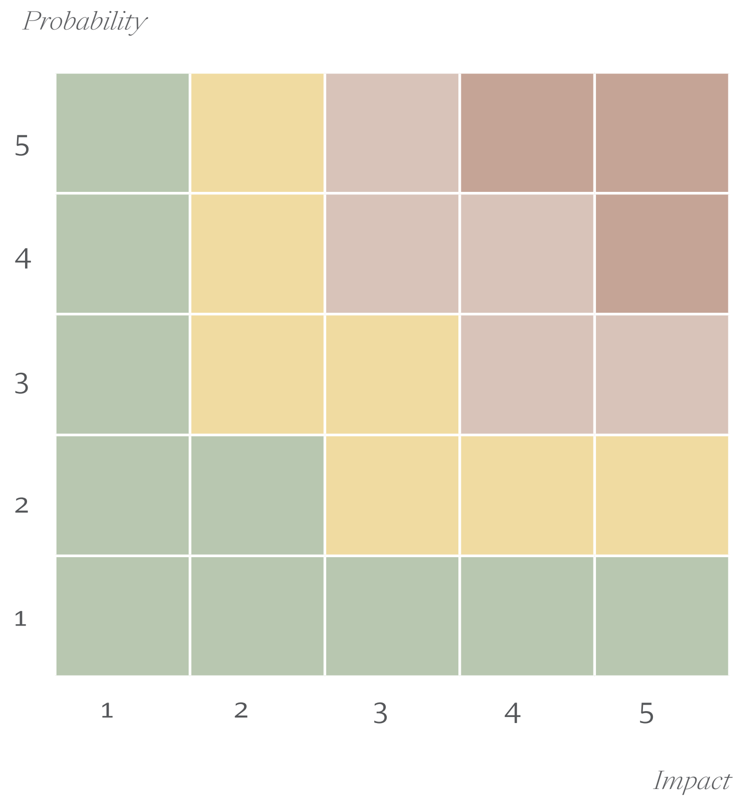
Operational Risks

Encapsulate a spectrum of challenges in company operations, spanning project risk, IT risk, cybersecurity, security and safety risk, and human capital management risks, among others.

Risk Matrix

In the initial phase of our risk management process, we utilize the risk matrix to assesses the probability of each risk, as well the magnitude of its impact in the event of occurrence.

Impact	Points	Score
Low	5	1-5
Medium	6	6-11
High	7	12-18
Critical	7	19-25



Measurement of Impact and Probability

Criterion for determining probabilty

Probability	*Expected Frew*	*Likelihood Ratio*
Almost Certain	at least once within 1 month	90%+
Strong Probability	At least once within 3 months	66% - 89%
Possible	At least once within 6 months	31% - 65%
Improbable	At least once within a year	11% - 30%
Rare	Exceptional Circumstances	10%-

The asset impairment methodology was used to calculate the financial impact, the business interruption methodolgy was used to assess the operational impact, the Company›s reputation timeframe was used to assess the repurational impact, and the dgree of .compliance was used to assess the regulatory impact

Impact	Financial Impact	Operational Impact	Reputational Impact	Regulatory Impact
5 Critical	A loss of over 5% (SAR 36 million) of total assets	Inability to resume operational activites at the Company level (discontinuation of (operations Inability to achieve strategic goals	Garnering a long-lasting negative reputation which could lead to a loss of trust, thus materially impacting the Company	Non-compliance with/ violation of legal/regulatory requirements which could lead to suspension, exposure to major lawsuits, or the imposition of large fines by the regulatory authorities (fines are measured by (the financial impact
4 Material	A loss of 3% - 6% (SAR 21 million - 36 million) of total assets	A significant impact on othe Company›s operations (a temporary interuption of the Company›s business activities Inability to achieve a main strategic goal	Garnering a long-lasting negative reputation which could lead to a loss of trust / a decline in reputation among the Company›s various stakeholders	Non-compliance with/violation of legal/regulatory requirements which could lead to lawsuits, or the imposition of fines by the regulatory authorities (fines are measured by (the financial impact
3 Medium	A loss of 1% - 3% (SAR 7 million - 12 million) of total assets	A hinderance to the Company›s operational activites	Garnering a negative reputation which could lead to a loss of trust / a decline in reputation among a limited section of the Company›s stakeholders	Non-compliance with/ violation of legal/regulatory requirements which could lead to warnings or imposition of fines by the regulatory authorities (fines are measured by the financial (impact
2 Low	A loss of 0.5% - 1% (SAR 3 million - 7 million) of total assets	A slight impact on the Company›s operational activites	Garnering a negative reputation which could lead to a loss of trust / a decline in reputation with one of the Company›s stakeholders	Non-compliance with/ violation of legal/regulatory requirements which could lead to just a warning or follow-up actions by the regulatory authorities (fines are measured by (the financial impact
1 Very Low	A loss of less than 0.5% (SAR 3 million) of total assets	Limited Impact	Limited Impact	

Strategic Risks

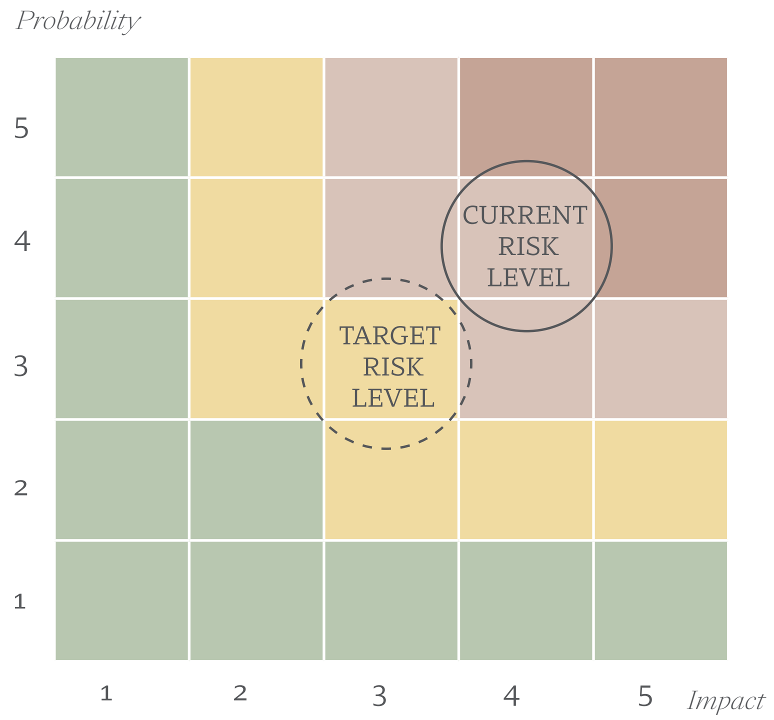
Strategic risks involve the potential impact of evolving market conditions on company performance, competitor incomes, and the companys›s capacity to respond, enhance, and adapt.

These risks are categorized as future events with the potential to influence the company's strategic goals, whether positively or negatively.

Primary Strategic Risk
The risk of increased competition in Saudi Arabia through the entry of new competitors in the Kingdom, as well as risks associated with changes in the labor market and the external environment.

Our Response:

- Incorporating the role of the board of directors and committees in defining the strategic direction of future projects.
- Periodic evaluation of business plans, project expansion methods, and refining of the overall strategic approach.
- Conducting market studies in periodic form.
- Active monitoring of market trends
- Continuous enhancement and development of customer experiences in all types of clients, including companies, individuals, and government agencies.
- Implementing innovative initiatives to build competitive advantages.
- Buidling partnerships locally, regionally, and internationally, thereby enhancing market share and supporting geographical expansion.
- Embracing resilience and crisis preparedness principles to minimize the impact on the company's investors or stakeholders in the face of unforeseen circumstances (pending approval).



Financial Risks

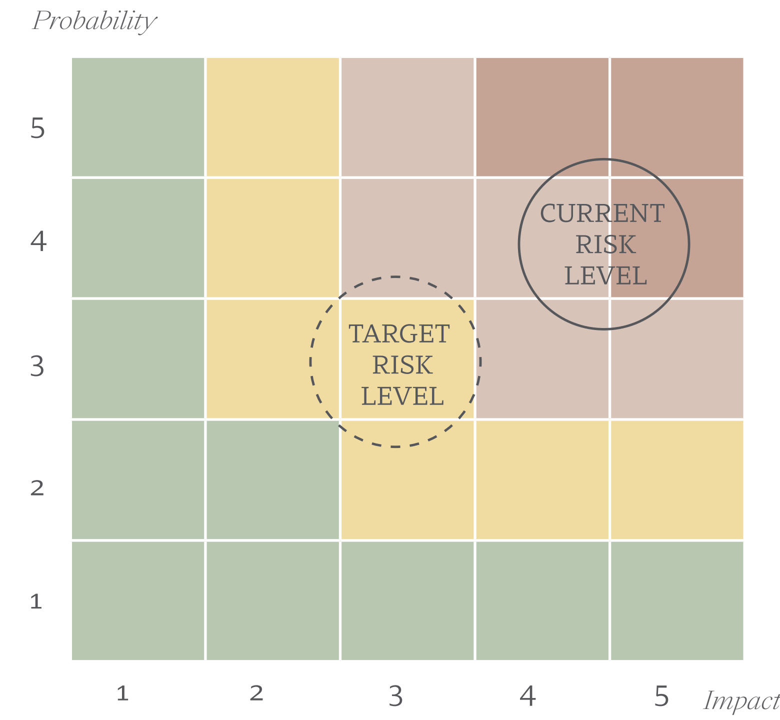
Financial risks pertain to factors that may impact the company›s fiscal performance, credit risk, liquidity risk, currency risk, and interest rate risk.

These risks are classified as future events with the potential to influence the company's strategic objectives, with outcomes ranging from positive to negative.

Primary Strategic Risk
The company faces cash flow pressures due to project delays, including delayed receipt of land affecting project initiation timelines. Risks also include potential impacts from rising interest and SIBOR rates on financial results, as well as fluctuations in development prices and costs affecting project profitability and overall financial performance.

Our Response:

- Adherence to Board-approved debt levels.
- Adhering to the delegation of authority for financial control.
- Conducting field examinations to monitor land conditions and government services.
- Restructuring high-interest loans, and replacement of low-interest loans
- Referring to historical project costs to visualize anticipated expenses.
- Preparing precise financial plans to monitor the company's cash flows and manage working capital efficiently and effectively.
- Proactively investing in financial planning and improving the performance of departments, projects, and overseeing strategic transformation initiatives within the company.
- Improving adherence to internally approved quality standards within the company, as well as aligning with external standards set by relevant organizations to facilitate effective financial planning for projects, thereby supporting expansion into new projects while considering the progress of ongoing initiatives and investing in areas of improvement.
- Strengthening collaboration with financial institutions to mitigate interest rate impact.



Operational Risks

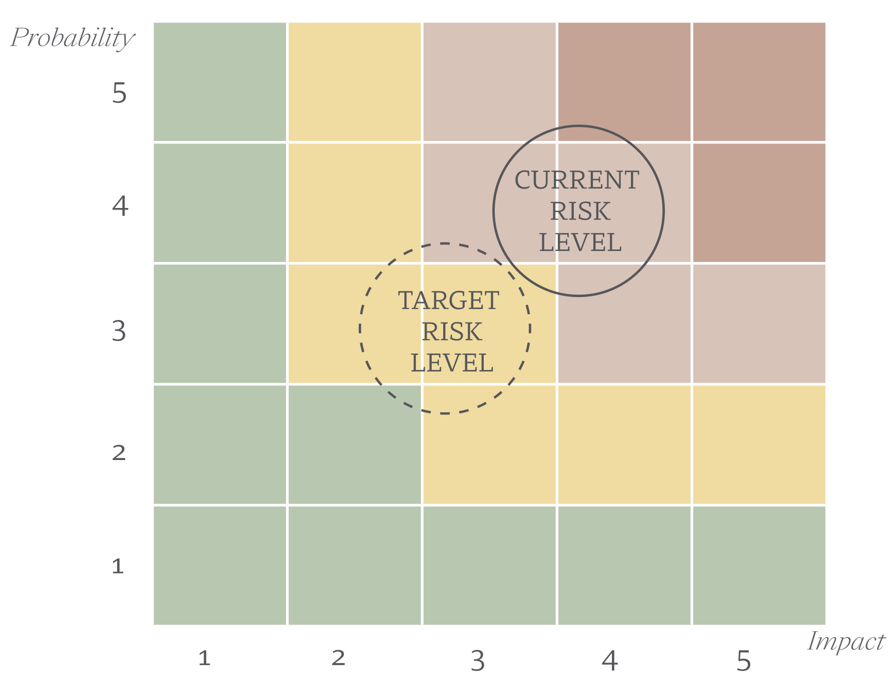
The effect of pivotal factors influencing core business operations, the ability to execute and complete projects, and the company's resilience to these factors.

These factors, delineated as forthcoming occurrences, possess the potential to exert either a positive or negative influence on the crucial operations within the company's value chain. This includes project performance risks, supply chain risks, IT risks, cyber security, safety risks, talent and head management risks, and human resources. Among the most critical operational risks is the risk of delays in project schedules due to workflow connectivity.

Primary Operational Risk
Potential delays in project schedules, supply chain disruptions, cybersecurity threats, data theft risks, security and safety concerns, and talent management.

Our Response:

- Incorporating the board of directors' and committees' role in project monitoring and internal supervision.
- Establishing the Organization Excellence Department under the operation sector, supervised by its Chief Operating Officer.
- Utilizing the latest technical systems for comprehensive project management.
- Adequate preparation and planning of project budgets.
- Adhering to Health and Safety standards in the work environment, in alignment with regulatory guidelines.
- Updating supply chain policies in accordance with domestic procedures, and taking proactive steps regarding domestic and international risks that can affect them.
- Adopt ing the ISO27001/IEC standard for information security
- Enhancing information and data management systems infrastructure.
- Periodic review of internal policies, ensuring its alignment with operational business requirements, and reporting procedure to the BOD.
- Digital integration of information-management technologies across all facets of business processes (digital transformation).
- Aligning business processes among information systems, platforms, and policies according to the delegation of authority matrix to ensure information protection.
- Elevating the expertise and skills within the company through continuous training and human capital development.
- Investing in Enterprise-level planning, to streamline project flow according to the approved plans within Development and other relevant departments.



Governance and Compliance Risks

Risks that could lead to alterations in governance and compliance procedures and their related consequences including reputiation risks and non-compliance risks.

The ramifications of these changes can manifest as either positive or negative impacts. Categorized into external regulatory compliance, legal requirements, listing regulations, and internal regulations and policies, these factors shape the primary governance and compliance risks.

Primary Governance & Compliance Risks
At the forefront of our considerations lies the risk of inadvertent violations of laws and regulations stipulated by the regulatory authorities. Additionally, the possibility of changes in internal processes and policies being subject to the evolving landscape of regulations and directives from the regulatory authorities to which the company is affiliated with.

Our Response:

- Incorporating of Board of directors' and committees' roles in internal audits and assessments.
- Compliance to internal policies, authority matrices, governance, and compliance policies across all business processes.
- Compliance with regulations issued by the relevant regulatory authorities.
- Implementation of the three-line model for internal operations.
- Establishment of periodic review plans to ensure alignment with internal policies and regulations.
- Strategic development of plans to expand resources for enhanced compliance.
- Raising awareness levels within the organization to enhance company performance.
- Periodic review of the changes to the policies and procedures of the capital markets authority and the governmental sector.
- Initiation of projects for internal and external compliance indicator.
- Building internal and external compliance indicators.