FitchRatings

Saudi Arabia Transparency Report

May 2022

Saudi Arabia Transparency Report

This Transparency Report is published in accordance with Article 22 of the Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 3-58-2014 Dated 17/1/1436H Corresponding to 10/11/2014G Based on the Capital Market Law Issued by Royal Decree No. M/30 dated 2/6/1424H. It provides information on the operations of Fitch Ratings in the Kingdom of Saudi Arabia for the fiscal year ending December 2021.

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1. Compliance with Credit Rating Agencies Regulations and Other Relevant Laws and Regulations

Fitch Ratings has adopted a set of bulletins, policies and procedures (collectively, the "Operational Procedures") in order to achieve the regulatory mandate based on the principles of objectivity, integrity, transparency and independence. These Operational Procedures, as codified in the Code of Conduct & Ethics, the Rating Process Manual, the Business Relationship Management Process Manual as well as numerous other bulletins, policies and procedures address, among other issues:

- The segregation of commercial and analytical activities, and the determination of credit ratings,
- Governance relating to criteria, methodologies, and models, and
- File maintenance and recordkeeping associated with the above-mentioned activities.

Fitch Ratings also has Operational Procedures in place for (i) the recruitment, retention, training and promotion of its employees, (ii) its information technology and security operations and (iii) inter-company activities with affiliates. The Operational Procedures are designed to ensure that Fitch Ratings complies with the various rules and regulations to which it is subject, including, but not limited to, the regulations in the Kingdom of Saudi Arabia.

To support and supplement the Operational Procedures, Fitch Ratings adopted a second set of functions, policies and procedures (the "Internal Quality Control System"). The Internal Quality Control System covers all aspects of the Company's operations pertaining to the determination of credit ratings. Details as to the different components of the Internal Quality Control System are presented in section 3 of this report.

2. Legal Structure and Ownership

Legal Structure

Fitch Ratings operates in the Kingdom of Saudi Arabia through its branch of Fitch Australia Pty Ltd, a company established under Australia's Corporations Act 2001(Cth).

Ownership

Fitch Australia Pty Ltd is 100% owned by Fitch Ratings Ltd ("FRL"). FRL in turn is 100% owned by Fitch Ratings, Inc., a US company ("FRI"). FRI is 100% owned by Fitch Group, Inc., a US holding company, which in turn is 100% owned by the Hearst Corporation of the US.

The Hearst Corporation is a privately held diversified media and information company with headquarters in the US. Its major interests in addition to owning 100% of Fitch Group, Inc., include ownership of magazines, newspapers, cable networks, television broadcasting, internet and marketing services businesses, TV production, newspaper features distribution, and real estate. It maintains significant holdings in automotive and medical/pharmaceutical business information companies. It retains its ownership interest in Fitch Group, Inc. through Hearst Ratings II, Inc., a single purpose subsidiary.

3. Internal Control Mechanisms Ensuring the Quality of Credit Rating Activities

1. Introduction

This document describes the internal controls related to the issuance of Credit Ratings employed by Fitch Ratings, Inc. ("FRI") and Fitch Ratings Limited ("FRL"), including any of FRI's and FRL's subsidiaries that issue credit ratings under the trade name of Fitch Ratings (collectively, "Fitch Ratings").

2. Board Oversight

The Board of Directors of FRI (the "FRI Board") and FRL (the "FRL Board") (collectively, the "Boards"), provide oversight to all credit rating activity performed globally within Fitch Group, Inc. ("Fitch Group"). The Boards operate under defined oversight procedures in which they consider different substantive areas of oversight at each of their quarterly Board meetings. In addition, where necessary pursuant to applicable local law, the local boards of directors of other Fitch Ratings credit rating subsidiaries may perform additional oversight activities.

Among other matters, the Boards are responsible for the oversight and management of FRI or FRL, as the case may be, in accordance with their fiduciary responsibilities and standards established by the laws of the jurisdictions in which FRI and FRL are organized. The Boards have delegated responsibility for the day-today running of FRI and FRL to a senior management team with sufficient skill and experience to ensure the sound and prudent management of FRI and FRL.

The Boards oversee, among other matters:

a. The process for the issuance of Credit Ratings;

b. The publishing of new and materially amended criteria and methodologies pertaining to determining Credit Ratings;

c. The implementation of new and materially amended policies pertaining to determining Credit Ratings;

d. The program designed to manage conflicts of interest;

e. The maintenance of internal controls related to determining Credit Ratings;

f. The compensation and promotion processes; and

g. The compliance and governance processes, including the efficiency of the Criteria Review and Approval Group "CRAG").

3. Policy Framework

All Fitch Ratings policies and procedures reflect Fitch Ratings' Code of Conduct & Ethics, which is based upon the global best practices outlined in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, and, with respect to any given jurisdiction in which Fitch Ratings conducts Credit Rating activities, are consistent with all laws, rules and regulations applicable to Fitch Ratings in such jurisdiction.

During the policy development or amendment stage, input is gathered from relevant constituents within Fitch Ratings including, where appropriate, the senior management of the Global Analytical Groups, the Credit Policy Group ("CPG"), the Legal Group, Ratings Operations (including Regulatory Affairs, Policies and Procedures), the Business and Relationship Management Group ("BRM"), the Compliance Department ("Compliance"), and any others as may be appropriate. Once a new or amended policy is finalized, it is subject to review and approval in accordance with Fitch Ratings' internal protocols. Material changes to certain Fitch Ratings' policies are subject to review and, in some cases require prior approval by the Boards.

4. Three Lines of Defense

Fitch Ratings' internal control structure is designed to ensure that Fitch Ratings employees comply with Fitch Ratings' policies and procedures relating to or associated with the issuance of Credit Ratings. This control structure consists of three lines of defense, and is ultimately overseen by the Boards:

a. First Line of Defense: The Global Analytical Groups, BRM and Ratings Operations (see below in 5);

b. Second Line of Defense: Credit Policy Group, the Criteria Review and Approval Group ("CRAG") and the Compliance Department (see below in 6); and

c. Third Line of Defense: Internal Audit (see below in 7) and external or outsourced third party audits, as needed.

Each of the three lines of defense is further supported by the Information Technology group ("IT") and the Information Security group ("IS") (see below in 8 and 9).

5. First Line of Defense

The overall responsibility to ensure that Fitch Ratings' policies and procedures relating to or associated with the issuance of Credit Ratings are followed rests with the senior managers and all members of the first line of defense.

5.1. Global Analytical Group

The senior managers of the Global Analytical Group are: (i) the Senior Global Group Heads; (ii) the Global Group Heads, each covering the analytical groups; and (iii) the Regional Group Heads covering certain geographical areas.

5.2. Business Relationship Management

Fitch Ratings maintains a separate BRM Group which carries out ratings-related commercial and marketing activities independently of the Global Analytical Groups. The segregation of commercial (BRM) activities from analytical activities helps ensure that analytical staff is not influenced by business considerations. All discussions with an issuer, originator, arranger, sponsor, servicer or any other party that interacts with Fitch Ratings on behalf of the issuer concerning rating fees, fee arrangements or billings are handled by BRM, finance and accounting staff, members of the Legal Department, or others, outside the Global Analytical Groups. BRM staff also follow policies and procedures designed to ensure compliance with anti-money laundering laws, international sanctions, and anti-bribery and corruption laws, as well as other aspects of credit rating agency regulation.

5.3. Ratings Operations

Ratings Operations is responsible for developing, implementing and monitoring procedures and controls with respect to the Credit Rating process in response to regulation, Fitch Ratings policy, and senior management guidance. Ratings Operations works with members of the Global Analytical Groups, BRM, Compliance, CPG, Human Resources, Legal and IT to identify risks and implement procedural, training and/or technical solutions in support of Fitch Ratings' control framework and analysts' compliance with the firm's policies and procedures. Ratings Operations also produces management reports and analysis to support the Global Analytical Groups' compliance with the various procedures outlined in the Ratings Process Manual.

6. Second Line of Defense

Fitch Ratings' core control functions of the Credit Policy Group (CPG), the Criteria Review and Approval Group (CRAG), Compliance and Technology Risk comprise the Second Line of Defense. These functions operate at a global, rather than local level, with staff based in Fitch Ratings' New York, Chicago, UK, Hong Kong, Singapore and certain EU and Middle Eastern offices, amongst others, providing support and oversight to all Fitch Ratings offices globally.

6.1. The Credit Policy Group

CPG is independent of the Global Analytical Groups and includes the Chief Credit Officer, Group Credit Officers, Regional Credit Officers, Evaluating Committee Robustness and Fitch Wire staff. The Chief Credit Officer reports to the Chief Risk Officer of Fitch Group ("CRO"). The Chief Credit Officer and Regional Credit Officers leverage participation in various committees and discussions to ensure new or developing issues are shared and addressed across Analytical Groups. CPG therefore serves as an oversight function with respect to Fitch Ratings' analytical work. In fulfilling these responsibilities, CPG conducts the following activities, among others:

- Aggregates risks across ratings by focusing on risk identification and coordination across sectors and regions;

- Conducts reviews for assessing ratings performance and ratings comparability;

- Links rating trends with current fundamentals, macro-economic developments and analytically defined expectations by industry or sector;

- Monitors Analytical Groups to ensure consideration of new developments with an appropriate sense of urgency and rigor and reports on and makes recommendations in certain cases;

- Develops and publishes areas of topical research that can be used to frame priorities or identify the next potential credit market development;

- Reviews analytical exceptions, incidents and complaints; and

- Carries out reviews of Committee Papers against Criteria as part of the Evaluating Committee Robustness program.

6.2. Criteria Review and Approval Group

CRAG is independent of the Global Analytical Groups and includes the Chief Criteria Officer, Head of Model Validation, Manager of Ratings Performance Analytics and Criteria Officers. The Chief Criteria Officer reports to the Chief Risk Officer

(“CRO”) of Fitch Group. CRAG serves as an oversight function with respect to Fitch Ratings’ ratings criteria and related models.

In fulfilling these responsibilities, CRAG conducts the following activities, among others:

- Oversees the rating criteria (and related models and key assumptions) review and approval process (Analytical Groups are responsible for proposing suitable criteria that support ratings and supported by back testing);

- Conducts regular transition and default studies to monitor the performance of Fitch Ratings ‘ratings over time and across analytical sectors and geographical regions;

- Manages a database of criteria and models to measure compliance with the requirements to review such criteria and models;

- Reviews criteria back-testing and conducts model validation; and

- Maintains a log of analytical errors.

In addition to its oversight activities, CPG and CRAG contribute to the development of a training program, the Fitch Credit Academy, to provide a formal structure to develop and assess the knowledge and skills analysts need to be effective in evaluating credit. The program consists of two levels. In the first level of the program, analysts are introduced to fundamental credit concepts, whereas in the second level analysts complete ten specialized curricula that are designed to develop the relevant knowledge and skills appropriate for each Global Analytical Group, sector and region, as applicable.

6.3. The Compliance Department

Compliance is responsible for advising on, supporting and overseeing compliance with the various laws, rules and regulations governing the issuance of Credit Ratings (“CRA Regulation”) promulgated in the jurisdictions in which Fitch Ratings operates, along with those requirements set forth in Fitch Ratings’ Code of Conduct & Ethics and related policies regarding complaints, conflicts of interest and confidentiality (collectively, “Conduct Policies”). Compliance supports Fitch Ratings’ compliance with CRA Regulation and the Conduct Policies on an on-going basis through the functions described below, as well as by analyzing information obtained via Fitch Ratings’ Ethics Hotline and internal incident reporting systems.

Compliance is headed by the Global Chief Compliance Officer (the “CCO”), who reports jointly into the Chief Risk Officer of Fitch Group, and the Independent Directors of the Board of FRI (the “Independent Directors”). In addition to its New York and London-based staff, Compliance is staffed by local Compliance Officers based in Fitch Ratings’ Chicago office, as well as in its offices in Brazil, Chile, Colombia, Germany, Hong Kong, Japan, Mexico, Russia, Singapore, Spain and UAE. The CCO periodically reports to the Independent Directors and the CRO on the goals, strategy and status of the Compliance Department, the compliance program, and certain other Compliance processes and controls including those undertaken by the Department’s four core functions, which are as follows:

6.3.1. Regulatory Compliance: Regulatory Compliance is responsible for maintaining (either directly or in conjunction with local country management) Fitch Ratings’ license or registration in all jurisdictions where Fitch Ratings is licensed or registered as a credit rating agency. This includes making periodic (e.g. monthly, annual, etc.) reporting and filings and any additional “as needed” reporting, along with making any necessary public or regulatory disclosures of issues or events. In addition, this team manages all regulatory exams and other regulatory requests for documents and information. Further, the team helps coordinate Fitch Ratings’ responses to all exam findings and recommendations, and tracks and monitors Fitch Ratings’ completion of agreed management actions. The team regularly liaises with regulators on a global basis through in-person visits or conference calls. Moreover, Regulatory Compliance is responsible for oversight of the processes regarding the handling and resolution of Conduct Complaints, as defined in Fitch Ratings’ Complaints Handling policy. Finally, Regulatory Compliance conducts outreach to Fitch Ratings’ offices in Latin America, Asia, Europe, and the Middle East through either on-site visits or teleconferences. Regulatory Compliance is overseen by Regional Heads of Regulatory Compliance for EMEA, APAC, Latin America and North America. The Regulatory Compliance team heads in each jurisdiction are responsible for implementing new procedures or disclosures as required by changing regulations. Regulatory

Compliance team heads in each region are responsible for disseminating information of regulatory change to members of their own teams and to Regulatory Compliance Officers in other regions as well.

6.3.2. Personal Conflicts Monitoring: The Personal Conflicts Monitoring team ("PCM") administers Fitch Ratings' Global Securities Trading and Conflicts of Interest Policy ("Bulletin 13"). Bulletin 13 establishes policies designed to minimize actual and potential conflicts that may arise from employees' personal trading activity, outside interests and external relationships, and gifts, business events and entertainment. PCM utilizes a third-party trade surveillance platform to monitor Fitch Ratings employees' trading activity. PCM also administers the initial securities holdings certification and compliance questionnaire for new hires, as well as an annual compliance recertification of securities holdings and compliance questions for existing staff. Further, PCM is responsible for administering the exceptions and recusals that arise as a result of a potential conflict related to Bulletin 13.

6.3.3. **Compliance Testing & Monitoring**: The Compliance Testing & Monitoring team ("CTM") conducts testing throughout Fitch Ratings to assess compliance with Fitch Ratings' policies and procedures, and the effectiveness of internal controls implemented with respect to its Credit Rating and related activities. CTM develops annually a risk-based compliance test plan, which is derived from, among other factors, outcomes of compliance risk assessments, previous CTM findings and risks identified through regulatory findings or other issues, incidents or trends. CTM conducts its testing throughout the year and presents its reports, including corrective action plans for issues identified, to senior management. CTM also monitors the aging of previously identified issues, and escalates overdue issues as appropriate. Further, CTM is responsible for performing surveillance of Analytical Group and BRM employees' email communications. In particular, CTM flags email that could represent breaches or violations of Fitch Ratings' policies or procedures for review and follow-up, and where appropriate triggers disciplinary or remedial action.

6.3.4. Compliance Communications and Data Systems and Metrics: Compliance officers sitting outside of the above three functional teams provide support to those teams with respect to managing Fitch Ratings' policy, procedure, and Compliance training framework globally, delivering regulatory disclosures, and creating reports and metrics for monitoring the effectiveness of Compliance controls.

7. Internal Audit (Third Line of Defense)

Internal Audit ("IA") assists senior management and the Boards in protecting the assets and reputation of Fitch Ratings. In particular, IA provides independent and objective assurance as to the adequacy and effectiveness of Fitch Ratings' risk framework, controls and governance processes. The Head of IA reports to the Independent Directors and the CRO. At least annually, the Head of IA submits to the Independent Directors and the CRO an internal audit plan for review and approval. The internal audit plan consists of a work schedule for the following fiscal year. It is developed based on a prioritization of the audit universe using a risk-based methodology, including input from the Independent Directors, the CRO and other members of Fitch Ratings' senior management. The Head of IA reviews and adjusts the plan, as necessary, in response to changes in Fitch Ratings' business, risks, operations, programs, systems and controls. Any significant deviation from the approved internal audit plan is communicated to the Independent Directors and the CRO through periodic reporting or direct communication, as applicable. After the conclusion of an internal audit engagement, the Head of IA (or his or her designee) issues and distributes a written report. The audit report includes management's response and corrective action with regard to the specific findings and recommendations. Management's response includes a timetable for anticipated completion of corrective actions. IA is also responsible for appropriate follow-up, and all findings remain in an "open issues file" until cleared. The Head of IA periodically reports to the Independent Directors and the CRO on the purpose, authority and responsibility of IA as well as progress and performance regarding the audit plan.

IA also oversees the testing of internal controls supporting the ratings process. The testing is done semi-annually and supporting the assessment of the effectiveness of internal controls under the US SEC Dodd Frank control act.

8. Global IT Structure and Systems

Fitch Group's IT function manages the technology infrastructure for Fitch Ratings globally. IT is headed by Fitch Group's Chief Technology Officer. In addition to typical IT tasks and responsibilities, IT also:

- Maintains and monitors infrastructure including desktops, networks and data centres required for ongoing operations;
- Plays a material role in developing business continuity plans, including those related to the issuance and publication of credit ratings;
- Manages and tests disaster recovery plans; and
- Together with Ratings Operations, develops custom applications required to support core ratings activities such as workflow systems, analysis and surveillance systems, and publishing and document management systems, and maintains those applications and systems.

9. Global Information Security Structure and Systems

Fitch Group's Information Security function manages the information security infrastructure for Fitch Ratings globally. The IS function is headed by Fitch Group's Chief Information Security Officer ("CISO"), who reports to Fitch Group's Chief Risk Officer.

IS:

- Creates, manages, and leads the implementation of Fitch Group's information security program;
- Identifies and addresses the risks associated with Fitch Ratings' technology processes used in the issuance of credit ratings, along with IT and senior members of the business, legal and Compliance teams;
- Plays a material role in developing business continuity plans, including those related to the issuance and publication of credit ratings;
- Implements and manages foundational security controls designed to prevent and detect information security threats, and designs and tracks objective metrics tied to those controls;
- Manages access control for all systems, ratings data and applications in compliance with confidentiality and conflict of interest policies.

4. Information on Allocation of Staff

The table below details the total number of analytical staff employed by Fitch Ratings globally who worked on new credit ratings and credit rating reviews (participated in related rating committee meetings) for rated entities based in the Kingdom of Saudi Arabia.

Analytical Staff – New Credit Ratings and Credit Rating Reviews, 2021	
Primary Analysts	9

The total number of analytical staff employed by Fitch Ratings globally responsible for methodology and model management appraisal as of 31 December 2021 is detailed in the table below. [1]

[1] The number of staff includes the personnel with dedicated functions for the validation, review and approval of methodology as well as to the review and validation of models, and model development. This number does not include personnel in the analytical team who also have other responsibilities (typically including ratings work and research) who provide support to methodology development, model testing, training and other model operation related matters on ad hoc basis.

Methodology Review and Validation	8
Model Review and Validation	11
Methodology Development	169
Model Development	26

The senior management of Fitch Ratings globally is represented by the following 7 individuals:

- Ian Linnell – President
- Karen Skinner – Chief Operating Officer;
- Richard Hunter – Chief Credit Officer;
- Kevin Duignan – Global Analytical Head;
- Mark Oline – Head of Business & Relationship Management;
- Bart Oosterveld – Chief Criteria Officer;
- Bruce Legorburu – Global Chief Compliance Officer.

5. Record Keeping Policy

Fitch has in place global file maintenance and record-keeping policies and practices that are designed, collectively, to ensure that it maintains adequate records in accordance with all applicable laws and regulations including, but not limited to, the regulations in the Kingdom of Saudi Arabia. The main policies that are applicable to Fitch Ratings' rating-related records – the File Maintenance and Recordkeeping Policy for Analytical Groups and Core Operations, the File Maintenance for Analytical Groups, and the file maintenance and recordkeeping requirements in the BRM Process Manual.

Additional details regarding the exact content of the information that must be included in certain documents referenced in the File Maintenance for Analytical Groups – such as rating committee minutes – are contained in internal manuals that provide detailed procedural guidance on the rating process. Other non-analytical groups, such as the Accounts Group, maintain separate internal recordkeeping policies.

Collectively, these policies and procedures require that, among other things, Fitch maintains records for a period of at least five years that cover:

(a) documents including internal records and working papers used or created in support of determining and assigning any type of credit rating, assessment, opinion, score or other Fitch credit product;

(b) electronic or written communications received or sent by Fitch and its employees concerning fee negotiations;

(c) records of the solicited and unsolicited status of each credit rating;

(d) records documenting the established procedures and methodologies used by Fitch to determine credit ratings;

(e) records of the procedures and measures implemented by Fitch to comply with any applicable regulation; and

(f) external and internal communications, including emails received and sent by Fitch and its employees that relates to initiating determining, maintaining, monitoring, changing or withdrawing a credit rating.

6. Outcome of the Annual Internal Review of the Compliance Function

Internal Audit conducted two audits of the Global Compliance Group in 2021. The audits reviewed the Annual Compliance Certification process and also the Compliance Testing & Monitoring team's testing process.

Both audits identified control issues that are being remediated through responsive management actions.

7. Information on Revenue

Fitch Australia Pty Ltd's business activities are based on the provision of independent analysis and rating operations regarding a variety of risks in the financial markets. Fitch Australia Pty Ltd does not provide any ancillary services. Thus, all revenue received by Fitch Australia Pty Ltd, including by its branch in the Kingdom of Saudi Arabia is derived from rating activities.

The table below provides, for the branch of Fitch Australia Pty Ltd in the Kingdom of Saudi Arabia, the total revenue during 12-month fiscal period ended 31 December 2021.

Total Revenue – 12-month period ending 31 December 2021	
Saudi Arabia Branch of Fitch Australia Pty Ltd (SAR, 000)	9,531

8. Governance Statement

The Boards operate according to the Board Oversight Procedures to ensure that each respective board has oversight of all Fitch Ratings policies and procedures related to the (i) creation, maintenance and enforcement of policies and procedures for determining credit ratings, (ii) creation, maintenance and enforcement of policies and procedures for addressing, managing and disclosing conflicts of interest, (iii) effectiveness of the internal control system with respect to policies and procedures for determining credit ratings and (iv) compensation and promotion policies and practices of Fitch Ratings.

The Board Oversight Procedures cover all Fitch Ratings' globally applicable policies and procedures, and therefore the board-level reviews set forth within the relevant procedures are conducted on behalf of all of Fitch Ratings, i.e. all the Fitch companies engaged in its ratings business, including the branch of Fitch Australia in the Kingdom of Saudi Arabia.

The boards meet on a quarterly basis and, among other items, receive regular reporting from senior staff members. All reports are global in nature, therefore related individuals will report on topics and issues which might arise in Australia and they would also report on items arising in Riyadh, if necessary.

The Saudi Arabia Branch of Fitch Ratings Pty Ltd had two full-time employees as of 31 December 2021, including:

- The General Manager (Registered Person), Saoud Sulaiman Ibrahim Al-Behairi, reporting to the Managing Director of Middle East and Sub-Saharan Africa, Jay Leitner (based in Dubai, UAE); and
- The Office Administrator, Noura Fahad Abdulrahman Al-Mohaimeed, reporting to the General Manager of the Saudi Arabia Branch.

The Compliance Officer (Registered Person) duties are performed by the Head of Compliance, EMEA, Stuart Charles Jennings, who is based in London and reports to the CCO, who is also based in London.

9. Policies for Distributing Credit Ratings, Reports and Updates

Fitch Ratings' policies on distributing credit ratings, reports and updates are set forth in the Code of Conduct & Ethics and in the Rating Process Manual (the "RPM"). All Fitch Ratings' public ratings and rating outlooks, and related rating actions and opinions, including withdrawal of a rating are published free of charge on a non-selective basis on its free public website www.fitchratings.com. As appropriate or as is otherwise required Fitch Ratings simultaneously distributes an announcement of the rating or rating action, together with any related commentary including rating outlooks, through wire services or other media outlets.

10. Material Changes to Systems, Resources and Procedures

The table below details material changes to Fitch Ratings' bulletins, policies and procedures in 2021.

Bulletin	Description
Bulletin 13	***Global Securities Trading and Conflicts of Interest*** - Definition of Rated Entity changed to reflect relevant related third parties. - Modified section 6.3.1 to reflect the method by which employees report manual account statements - Re-inserted footnote on pg. 9 that was inadvertently removed. Updated table in section 8 to remove permitted business expense already included in section 9.2.3. Fixed general formatting issues.
Bulletin 27	***Restriction on Providing Advice*** Modified Policy to include obligations relating to Sustainable Fitch. Updated Definitions to reflect ESG-related activity and aligned Policy with standard formatting and corrected non-material typos.

11. Audited Financial Statements and Material Information Concerning Financial Position

The financial statements of the Saudi Arabia branch of Fitch Australia Pty Ltd for the year ended 31 December 2021 (together with the independent auditor's report) are attached.

The information on the revenue of the branch of Fitch Australia Pty Ltd in the Kingdom of Saudi Arabia for 12 months period ending 31 December 2021 is presented in section 7 of this report.

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Dammam branch office
License # 323/11/96/2
Date 24/4/1419
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INDEPENDENT AUDITOR'S REPORT

To the head office
Branch of Fitch Australia Pty Ltd.
(Saudi Arabian Branch)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Branch of Fitch Australia Pty Ltd. ("the Branch"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the Branch's financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Branch's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and applicable requirements of the Regulations for Companies and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the management, are responsible for overseeing the Branch's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF FITCH AUSTRALIA PTY LTD. (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants

Mazen A. Al-Omari
License No. 480
Ramadan 13, 1443H
April 14, 2022

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب الدمام
ترخيص رقم ٢/٩٦/١١/٣٢٣
License. 323/11/96/2
Dammam Branch
Chartered Accountants
Deloitte and Touche & Co.

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	Notes	2021 SR	2020 SR
ASSETS			
Non-current assets			
Deferred tax assets	12	**102,737**	118,768
Right-of-use assets	5	**-**	115,481
Total non-current assets		**102,737**	234,249
Current assets			
Accrued income and other current assets	6	**786,618**	59,771
Trade receivables, net	7	**351,127**	6,792,322
Cash and cash equivalents	8	**2,793,681**	2,763,041
Total current assets		**3,931,426**	9,615,134
TOTAL ASSETS		**4,034,163**	9,849,383
HEAD OFFICE EQUITY AND LIABILITIES			
Head office equity			
Capital		**500,000**	500,000
Retained earnings		**200,666**	170,395
Total head office equity		**700,666**	670,395
LIABILITIES			
Non-current liabilities			
Employees' defined benefit liabilities	10	**185,135**	139,600
Total non-current liabilities		**185,135**	139,600
Current liabilities			
Accruals and other payables	9	**466,113**	1,421,755
Trade payables		**54,338**	-
Deferred income	11	**434,656**	1,317,183
Due to a related party	15	**2,187,416**	6,180,486
Lease liabilities	5	**-**	119,964
Income tax payable	12	**5,839**	-
Total current liabilities		**3,148,362**	9,039,388
TOTAL LIABILITIES		**3,333,497**	9,178,988
TOTAL HEAD OFFICE EQUITY AND LIABILITIES		**4,034,163**	9,849,383

The accompanying notes form an integral part of these financial statements

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	**2021** **SR**	2020 SR
Revenue	13	**9,531,080**	16,471,157
Operating expenses	14	**(9,591,432)**	(16,876,258)
Operating loss		**(60,352)**	(405,101)
Reversal of impairment loss on trade receivables	7	**112,609**	463,356
Gain on de-recognition of right of use assets and lease liabilities	5	**4,483**	-
Financial charges		**(4,599)**	-
Finance cost on lease liabilities	5	**-**	(6,907)
Profit before tax		**52,141**	51,348
Taxation	12	**(21,870)**	162,615
PROFIT FOR THE YEAR		**30,271**	213,963
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**30,271**	213,963

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Capital SR	Retained earnings/ (accumulated losses) SR	Total SR
January 1, 2020	500,000	(43,568)	456,432
Profit for the year / Total comprehensive income	-	213,963	213,963
December 31, 2020	500,000	170,395	670,395
Profit for the year / Total comprehensive income	-	**30,271**	**30,271**
December 31, 2021	**500,000**	**200,666**	**700,666**

The accompanying notes form an integral part of these financial statements

BRANCH OF FITCH AUSTRALIA PTY LTD.
(SAUDI ARABIAN BRANCH)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 SR	2020 SR
OPERATING ACTIVITIES		
Profit before tax	52,141	51,348
Adjustments for		
Depreciation of right-of-use assets	-	285,083
Right-of-use assets written off	-	8,920
Gain on de-recognition of right-of-use assets and lease liabilities	(4,483)	-
Financial charges	4,599	-
Finance cost on lease liabilities	-	6,907
Reversal of impairment loss on trade receivables	(112,609)	(463,356)
Provision for employees' defined benefit liabilities	45,535	66,551
Movement in working capital:		
Trade receivables, net	6,553,804	1,098,226
Accrued income and other current assets	(726,847)	(33,771)
Trade payables	54,338	-
Accruals and other payables	(955,642)	1,029,988
Deferred income	(882,527)	168,791
Due to a related party	(3,993,070)	(2,898,877)
Cash generated from (used in) operations	35,239	(680,190)
Income tax paid	-	(156,169)
Financial charges paid	(4,599)	-
Net cash generated from (used in) operations	30,640	(836,359)
FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	-	(306,121)
Net cash used in financing activities	-	(306,121)
Net change in cash and cash equivalents	30,640	(1,142,480)
Cash and cash equivalents, January 1	2,763,041	3,905,521
CASH AND CASH EQUIVALENTS, DECEMBER 31	2,793,681	2,763,041

1. GENERAL INFORMAITON

Branch of Fitch Australia Pty Ltd ("Saudi Arabian Branch ") was registered in the Kingdom of Saudi Arabia under the Commercial registration number 1010612747 dated 12 Safar 1439H corresponding to November 1, 2017, and under SAGIA license No. 10211380976497 dated 10 Ramadan 1438H corresponding to June 5, 2017. The Branch is fully owned by Fitch Australia Pty Ltd, a limited liability company registered in Australia whereas The Hearst Corporation, is the ultimate parent company.

The principal activities of the Branch are to provide credit rating services.

The registered address of the Branch is in Riyadh, Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis of preparation
These financial statements have been prepared under the historical cost basis, except as otherwise mentioned in below accounting policies.

The financial statements are presented in Saudi Riyals ("SR") being the functional currency of the Branch.

Revenue
Revenue is measured based on the consideration to which the Branch expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties such as value added tax. The Branch recognizes revenue when it transfers control of a service to a customer.

The Branch recognizes revenue from credit rating, commentary and research services to various sectors.

Revenue is measured at the fair value of the consideration received or receivable.

Operating expenses
Operating expenses are recognized in the statement of profit or loss as and when incurred.

Foreign currencies
In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Employees' defined benefit liabilities
The employees' defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Branch presents the first two components of defined benefit costs in profit or loss in relevant line items and remeasurements are presented in other comprehensive income.

Short-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits
Retirement benefits made to funded defined contribution plans in respect of its Saudi employees, are expensed when incurred.

Income tax
The Branch is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Income tax is provided on an accruals basis and computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Deferred income tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax (continued)
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in statement of profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively

Withholding tax
The Branch withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax
Expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks, cash on hand, short term deposits, demand deposits and highly liquid investments with original maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Provisions
Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the statement of financial position under accruals and other payables. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Financial instruments
Financial assets and financial liabilities are recognised in the Branch's statement of financial position when the Branch becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Branch may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Branch may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Branch may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
The Branch always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Branch's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Branch recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Branch measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Branch compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Branch considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Branch's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Branch's core operations.

(i) Definition of default
The Branch employs statistical models to analyze the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Branch.

Irrespective of the above analysis, the Branch considers that default has occurred when a financial asset is more than 90 days past due unless the Branch has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

ii) Credit impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the debtor;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the Branch, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the debtor (s) would not otherwise consider;
(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

iii) Write off policy
The Branch writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

iv) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Branch in accordance with the contract and all the cash flows that the Branch expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets
The Branch derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branch recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the Branch continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Branch has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities
Financial liabilities that are not designated as FVTPL, are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Branch derecognizes financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases
The Branch assess whether a contract is or contains a lease, at inception of the contract. The Branch recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Branch recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Branch uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Branch expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Branch applies IAS 36 “Impairment of assets” to determine whether a right-of-use asset is impaired and recognizes any impairment loss in statement of profit or loss.

Impairment of non-financial assets
At the end of each reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

3.1 New and revised Standards applied with no material impact on the financial statements

In the current year, the Branch has applied the below amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Phase 2 amendments to *Interest Rate Benchmark Reform in IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16:*
  These amendments enables the branch to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of separate financial statements.

- Amendments to IFRS 16 Leases relating to COVID-19-Related Rent Concessions beyond 30 June 2021:
  In the prior year, The Board issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

  In March 2021, the Board issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022. The practical expedient permits a lessee, under certain conditions to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

3.2 New and revised standards issued but not yet effective

At the date of authorization of these separate financial statements, the branch has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (effective from January 1, 2023).

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

3.2 New and revised standards issued but not yet effective (continue)

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from January 1, 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from January 1, 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from January 1, 2022).

The management do not expect that the adoption of the above Standards will have a material impact on the branch's financial statements in future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Branch's accounting policies, which are described in note 2, the management of the Branch are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that, period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables
An estimate of expected credit loss on trade receivables is calculated in accordance with the accounting policy detailed in note 2.

Employee defined benefit liabilities
Employee defined benefit liabilities are determined using an input credit method which requires estimates to be made of the various inputs. These estimates have been disclosed in note 10.

5. LEASES

	2021	2020
	SR	SR
Right of use assets – building		
Cost		
January 1	**689,612**	698,532
Written off	-	(8,920)
De-recognition	**(689,612)**	-
December 31	-	689,612
Accumulated depreciation		
January 1	**574,131**	289,048
Charge for the year	-	285,083
De-recognition	**(574,131)**	-
December 31	-	574,131
Net book value as at December 31	-	115,481
Lease liabilities		
January 1	**119,964**	419,178
Finance cost charged during the year	-	6,907
De-recognition	**(119,964)**	
Lease payments during the year	-	(306,121)
December 31	-	119,964
Maturity profile of lease liabilities		
Year 1	-	120,500
Year 2	-	-
Total undiscounted lease liabilities	-	120,500
Less: Finance cost	-	(536)
	-	119,964
Current portion		
Lease liabilities	-	119,964
Non-current portion		
Lease liabilities	-	-
	-	119,964

During the year, management has de-recognised right of use assets of SR 115,481 and lease liabilities of SR 119,964 relating to the office premises lease as the lease expired and was renewed for a period of one year and is now classified as a short term lease. This resulted in a gain on de-recognition of SR 4,483.

6. ACCRUED INCOME AND OTHER CURRENT ASSETS

	2021	2020
	SR	SR
Accrued income	**760,618**	33,771
Rent and other deposits	**26,000**	26,000
	786,618	59,771

7. TRADE RECEIVABLES, NET

	2021 SR	2020 SR
Trade receivables	**352,115**	6,905,919
Less: allowance for doubtful debts	**(988)**	(113,597)
	351,127	6,792,322

Movement in allowance for doubtful debts is as follows:

	2021 SR	2020 SR
January 1	**113,597**	576,953
Reversals during the year	**(112,609)**	(463,356)
December 31	**988**	113,597

The average credit period on accounts receivables is from 60 to 90 days. No interest is charged on the trade receivables outstanding balance.

The Branch measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Branch writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade receivables based on the Branch's provision matrix. As the Branch's historical credit loss experience does not show a significantly different loss pattern for different customer segments, the allowances for doubtful debts based on past due status is not further distinguished between the Branch's different customer types.

		Trade receivables – Past due but not impaired			
December 31, 2021	**Not past due SR**	**31-90 SR**	**91-365 SR**	**Above 365 SR**	**Total SR**
Expected credit loss rate %	-	**0.33%**	-	-	-
Gross carrying amount	-	**302,711**	**49,404**	-	**352,115**
Lifetime ECL	-	**(988)**	-	-	**(988)**
Net trade receivables	-	**301,723**	**49,404**	-	**351,127**

		Trade receivables – Past due but not impaired			
December 31, 2020	Not past due SR	31-90 SR	91-365 SR	Above 365 SR	Total SR
Expected credit loss rate %	-	1.00%	5.92%	-	1.64%
Gross carrying amount	648,790	5,219,429	1,037,700	-	6,905,919
Lifetime ECL	-	(52,194)	(61,403)	-	(113,597)
Net trade receivables	648,790	5,167,235	976,297	-	6,792,322

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and short-term deposits with original maturities of three months or less. At December 31, 2021 and 2020, cash and cash equivalents consist of cash and bank balances.

9. ACCRUALS AND OTHER PAYABLES

	2021 **SR**	2020 SR
Accrued employees' benefits	**276,430**	254,343
Value added tax payable	**16,283**	870,020
Accrued professional fees	**173,400**	179,400
Others	-	117,992
	466,113	1,421,755

10. EMPLOYEES' DEFINED BENEFIT LIABILITIES

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2021 **SR**	2020 SR
January 1	**139,600**	73,049
Current service cost	**41,766**	64,593
Interest cost	**3,769**	1,958
December 31	**185,135**	139,600
Amount recognized in profit or loss:		
Service cost	**41,766**	64,593
Net interest on net defined benefit liability	**3,769**	1,958
	45,535	66,551

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2021	2020
Discount rate	**2.05%**	2.05%
Salary increase rate	**2.05%**	2.05%
Turnover rate	**Moderate**	Moderate

11. DEFERRED INCOME

The amount of SR 1,32 million recognised in deferred income at the beginning of the period has been recognised as revenue for the current year (2020: SR 1.15 million).

12. TAXATION

The movement in income tax liability is as follows:

	2021 SR	2020 SR
January 1	-	200,016
Charge for the year	**5,839**	-
Reversal of excess provision in prior year	-	(43,847)
Paid during the year	-	(156,169)
December 31	**5,839**	-

Income tax charge/(credit) for the year is as follows:

	2021 SR	2020 SR
Provision for the year	**5,839**	-
Deferred tax for the year	**16,031**	(118,768)
Reversal of excess provision in prior year	-	(43,847)
	21,870	(162,615)

Income tax provision can be reconciled to the accounting profit as follows:

	2021 SR	2020 SR
Profit before tax	**52,141**	51,348
Reversal of impairment loss on trade receivables	**(112,609)**	(463,356)
Employee end of service benefits	**45,535**	66,551
Tax depreciation difference	-	285,083
Others	**44,130**	(286,977)
Tax profit / (loss)	**29,197**	(347,351)
Non-Saudi holding	**100%**	100%
Tax base	**29,197**	(347,351)
Tax @ 20%	**5,839**	-

The tax rate used for the 2021 and 2020 reconciliations above is the corporate tax rate of 20% payable by the Branch in the Kingdom of Saudi Arabia on taxable profits attributable to the foreign shareholder.

The Branch has submitted income tax returns up to the year ended December 31, 2020 and has obtained relevant certificates. Assessments from date of inception to 2020 have yet to be issued by the ZATCA.

Deferred tax
Movement of the deferred tax asset is as follows:

2021	Opening balance SR	Recognized in profit or loss SR	Closing balance SR
Deferred tax asset in relation to:			
Employees' defined benefit liabilities	**26,061**	**8,956**	**35,017**
Allowance for doubtful debts	**22,719**	**(22,522)**	**197**
Others	**69,988**	**(2,465)**	**67,523**
	118,768	**(16,031)**	**102,737**

13. REVENUE

The Branch derives revenue from credit rating, commentary and research services to various sectors and consideration agreed is recognized upon the delivery of contracted services in accordance with the contracts terms.

14. OPERATING EXPENSES

	2021 SR	2020 SR
Shared service cost (note 15)	**7,047,162**	14,477,950
Employees' salaries and other benefits	**1,496,719**	1,406,993
Travel	**4,140**	104,378
Depreciation for right of use assets	**-**	285,083
Operating lease expenses (note 16)	**342,596**	-
Professional fees	**512,857**	486,628
Marketing	**57,207**	29,748
Exchange loss	**73,843**	10,797
Others	**56,908**	74,681
	9,591,432	16,876,258

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties comprise of the shareholders of Fitch Australia Pty Ltd, related group companies, general manager f the Branch and their close family members, key management personnel and their close family members. The Branch carries out transactions with various related parties at agreed terms.

Trading transactions
During the year, the Branch had transactions with the following related parties:

Name	**Relationship**
Fitch Ratings Ltd. – UK	Affiliate

The significant transactions and the related approximate amounts are as follows:

	2021 SR	2020 SR
Shared service cost	**7,047,162**	14,477,950
Related party balances		
Due to Fitch Ratings Ltd. – UK	**2,187,416**	6,180,486

Compensation of key management personnel of the branch
Key management consists of executive management. Compensation paid/ payable to key management personnel during the year is:

	2021 SR	2020 SR
Salaries and allowances	**937,519**	937,860

16. SHORT TERM LEASES

The Company leases office premises for a short term period. These leases are negotiated for an average term of one year and rentals are fixed for one year.

Amount recognized statement of profit or loss is as follows:

	2021 SR	2020 SR
Expense relating to short term leases	**342,596**	-

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital management
The Branch's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize the return to stakeholders through the optimization of the debt and equity balance.

The Branch's management manage the Branch's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

Categories of financial instruments

Financial assets

	2021 SR	2020 SR
Cash at banks	**2,793,681**	2,763,041
Trade receivables	**352,115**	6,905,919
Accrued income	**760,618**	33,771
	3,906,414	9,702,731

Financial liabilities

	2021 SR	2020 SR
Trade payables, accruals and other payables	**504,168**	551,735
Due to a related party	**2,187,416**	6,180,486
Lease liabilities	-	119,964
	2,691,584	6,852,185

Financial risk management objectives
The treasury function of the parent company provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Branch through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Where possible, the Branch aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Branch's income. The Branch was exposed to market risk, in the form of interest rate risk and foreign currency risk as described below, during the year. There has been no change to the Branch's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management
The Branch undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly. Management believes that the Branch is not materially exposed to currency risk.

Interest rate risk management
Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Branch has no borrowings.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch has adopted a policy of only dealing with creditworthy counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of limited customers, mainly from KSA. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Branch does not have significant credit risk exposure to any single counterparty. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity risk management framework for the management of the Branch's short and medium-term funding and liquidity management requirements. The Branch manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables
The following tables detail the Branch's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Branch can be required to pay.

	Weighted average effective interest rate %	Less than 1 year SR	1 – 5 years SR	Total SR	Carrying amount SR
December 31, 2021					
Trade, accruals and other payables	-	**504,168**	-	**504,168**	**504,168**
Due to a related party	-	**2,187,416**	-	**2,187,416**	**2,187,416**
		2,691,584	-	**2,691,584**	**2,691,584**

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	Less than 1 year	1 - 5 years	Total	Carrying amount
	%	SR	SR	SR	SR
December 31, 2020					
Lease liabilities	2.7%	120,500	-	120,500	119,964
Accruals and other payables	-	551,735	-	551,735	551,735
Due to a related party	-	6,180,486	-	6,180,486	6,180,486
		6,852,721	-	6,852,721	6,852,185

18. EVENT AFTER THE REPORTING PERIOD

There were no events subsequent to December 31, 2021 and occurring before the date of the approval of the financial statements report that are expected to have a significant impact on these financial statements.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Branch's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Branch's financial assets and liabilities are not materially different from their carrying values.

20. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform with the presentation in the current year. However, there was no impact on the total comprehensive income or equity of such reclassifications.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on April 7, 2022.