

Early Impressions

SCA – Circular on the Internal Control and Risk Management Framework



Foreword

Since its establishment, the Securities and Commodities Authority (SCA) has been dedicated to enhancing the legislative framework governing companies in the securities market through its ongoing initiatives, regulations, and directives.

In reference to the recent developments, and pursuant to Chairman of the SCA's Board Resolution No. (02/R.M) of 2024—amending Resolution No. (3/R.M) of 2020 concerning the Governance Guide for Public Joint Stock Companies—the Authority has introduced a key revision to Article (14), specifically item (7), outlining enhanced obligations for Boards of Directors.

Further to the SCA circular dated 14 January 2025, this update reflects the Authority's ongoing commitment to supporting listed entities in achieving full compliance with applicable laws and regulations. It also reinforces SCA's strategic objective of promoting best-in-class practices in governance, disclosure, and oversight across UAE capital markets.

This publication is Uniquis's early impression on the recent circular and its impact on listed entities.

Thank you.

Yours faithfully

For Uniquis Consultech Inc.



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Circular on the Internal Control and Risk Management Framework

Key Changes

Extension of 1st Phase

The Securities and Commodities Authority (SCA) has extended the first phase for implementing the requirements of Internal Control over Financial Reporting (ICOFR) until the end of 2026.

2026 ICOFR Review

Companies to conduct evaluation, issue internal report and obtain external audit's opinion for the financial year ending 31 Dec 2026, without public disclosure.

2027 ICOFR Review

From the beginning of 2027, Companies shall conduct a full internal assessment and issue an internal control report, including the external auditor's opinion on the effectiveness of ICOFR.

Disclosure of Opinion

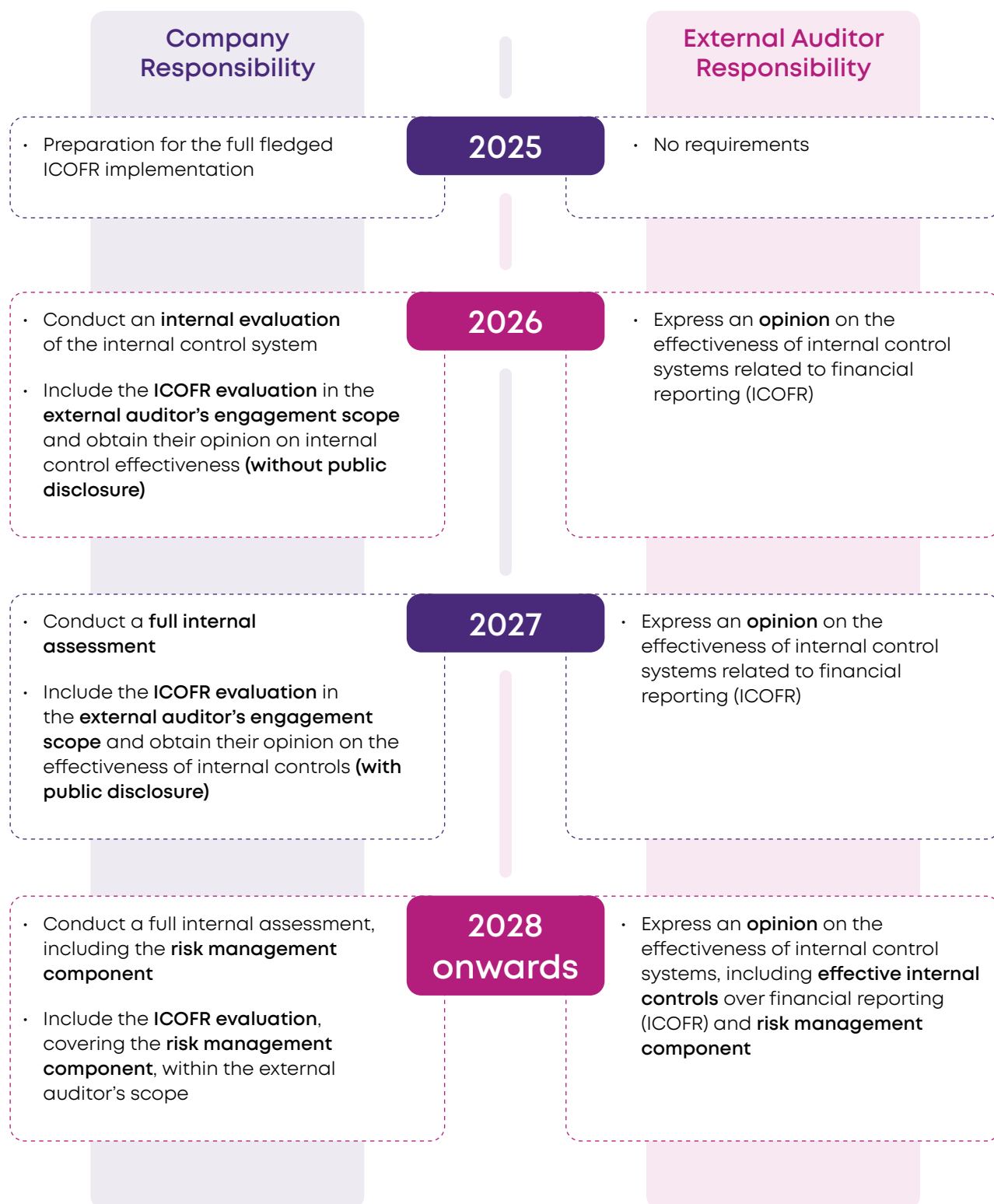
Disclose the report, including the external auditor's opinion, within the integrated report for 2027, before the General Assembly meeting.

Opinion on Risk Management

Starting in 2028, the report shall include the Risk Management component within the scope of assessment and reporting.

Note – In line with SCA's regulatory framework, all entities listed are required to implement robust Internal Controls over Financial Reporting from the year 2024. The circular focuses on the extension of timelines for the external auditor's opinion requirements.

Company & External Auditor Responsibilities



Additional Considerations

01

Design and Review Framework

- The COSO Framework shall be adopted for designing and assessing the effectiveness of internal control systems
- The International Standard (ISAE 3000) shall be adopted as the framework for review and audit of ICFR reports, aiming to provide reasonable assurance on the effectiveness of internal control systems

02

Timing of ICOFR Report Disclosure

- The ICOFR report shall be disclosed in conjunction with the Financial Report
- Companies that already have an effective internal control system may issue and disclose their ICFR report for 2025 together with their Financial Report

03

Exceptions and Flexibility

- **One-year flexibility to exclude from report:**
 - Recently Acquired Entities
 - Newly Established Entities
 - Newly Listed Companies
 - Foreign Subsidiaries established outside UAE (Exclusion must be disclosed in the report)
- **Exempt from mandatory application of the said requirements:**
 - Foreign listed companies
 - Private joint stock companies
 - Free zone companies listed on the UAE markets disclosed in the report)

How Uniquis Can help



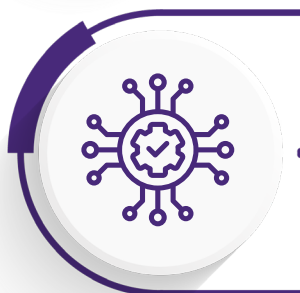
Internal Controls

- Support management in the end to end internal controls implementation and testing.
- Our teams have jointly supported 50+ SCA and ADAA entities with ICOFR implementation in UAE



Proprietary Internal Controls Tool (Risk UniVerse)

- Risk UniVerse is a fully customizable ICOFR tool tailored to seamlessly align with company compliance mandates for internal controls



AI Integration

- By embedding GenAI-driven testing into Risk UniVerse, Uniquis empowers clients to automate manual control validations—unlocking efficiency, precision, and next-generation risk oversight



About Uniquis Consultech:

Uniquis Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, Governance, Risk & Compliance, Sustainability & Climate, and Tech Consulting. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST. Anu Chaudhary, a global sustainability and climate specialist with over 25 years of experience, serves as the Global Head of Sustainability & Climate Consulting. Abhijit Varma, a veteran technology specialist, leads Tech Consulting globally.

Uniquis has a global team of 600+ professionals led by 65+ Partners & Directors across eleven offices in the USA, the Middle East, and India. The company serves more than 350 clients, including marquee names in each of the markets it operates in.

Uniquis is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

About Our Governance, Risk & Compliance (GRC) Services:

Our GRC practice partners with organizations as they continue to deal with the dynamic governance, risk, and compliance landscape and navigate today's complex business environment. We seek to prepare business leaders and their teams to identify and manage risks, strengthen governance across levels, ensure end-to-end compliance, design & test internal controls, anticipate and assess any disruptions, and help build business resilience. We help to deploy platforms aimed at digitization and automation of an organization's GRC functions.

A Team That You Can Trust To Deliver



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