



Integrated Report 2021



Al Fujairah National Insurance Company PJSC



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Board of Directors' Report 2021



BOARD OF DIRECTORS' REPORT 2021

BOARD OF DIRECTORS' REPORT

For the Year 2021

The Company achieved Net Profit of AED 18.7 million for the year ended 31.12.2021 compared with AED 36.9 million for the year 2020.

The Company achieved Net Technical profit of AED 16.96 million during the year ended 31.12.2021 as compared with AED 52.05 million for the year 2020.

The Company's premium revenue is AED 242.0 million during the year 2021 comparing with AED 268.0 million for 2020.

The Company's Investment profit is AED 17.2 million for the year ended 31.12.2021, as compared with AED 3.0 million for the year 2020.

The shareholder's equity increased from AED 315.16 million as at 31.12.2020 to AED 339.37 million as at 31.12.2021.

Earnings per share for the year 2021 is AED 14.04 compared with AED 27.75 (restated) of 2020.

ABDUL GHAFOR BEHROOZIAN
Chairman

Fujairah
23.03.2022



Auditor's Report 2021

Independent Auditor's Report

To the Shareholders of Al Fujairah National Insurance Company PJSC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Fujairah National Insurance Company PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 Company in accordance with International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report**To the Shareholders of Al Fujairah National Insurance Company PJSC****Report on the Audit of the Financial Statements (continued)****Key Audit Matters (continued)****i) Valuation of insurance contract liabilities**

The estimation of liabilities arising from insurance contracts such as outstanding claims, incurred but not reported claims, unallocated loss adjustment expenses and unearned premium reserve, as disclosed in note 9 to the financial statements, involves a significant degree of judgement. These liabilities are based on the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and the pattern of risk distribution over the coverage period. Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's calculations of the insurance contract liabilities by performing the following procedures:

- Understood the governance process in place to determine the insurance contract liabilities;
- Tested the underlying Company data to source documentation on sample basis;
- Evaluated the competence, objectivity and independence of the management appointed actuary;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

ii) Valuation of investment properties

Company holds investment properties under the fair value model as at 31 December 2021 amounting to AED 77.2 million (2020: AED 75.8 million), as detailed in note 6. The fair value estimate requires significant judgement and estimates by management and independent external valuers. The Company has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.

Our audit procedures, among others, included:

- Discussion with the independent valuer to understand the basis of valuation for each property and other judgements used in performing the valuation;
- Assessing the competence, capabilities, and objectivity of external valuers; and
- Assessing the appropriateness of the key assumptions and methodologies used.

Independent Auditor's Report**To the Shareholders of Al Fujairah National Insurance Company PJSC****Report on the Audit of the Financial Statements (continued)****Key Audit Matters (continued)****iii) Valuation of investment in unquoted securities**

The Company holds investments in unquoted equity securities of twenty four entities as at 31 December 2021 (2020: seventeen entities) amounting to AED 46.8 million (2020: AED 36.7 million) representing 13.7% (2020: 11.7%) of the total amount of its investment in securities as disclosed in note 7 to the financial statements. The valuation of these unquoted equity securities was carried out by an independent valuer and involved judgement in selecting the valuation basis for each investment and further judgement in performing the valuation when the latest market and financial data was not observable. Therefore, the valuation of these unquoted equity securities was significant to our audit.

Our audit procedures, among others, included:

- Discussion with the independent valuer to understand the basis of valuation for each investment and other judgements used in performing the valuation;
- Assessing the competence, capabilities, and objectivity of the independent valuer;
- Assessing the appropriateness of the underlying data, pricing methodologies and assumptions used; and
- We assessed whether the Company's disclosures in relation to the valuation of these unquoted equity securities are compliant with the relevant accounting requirements.

iv) Impairment losses on insurance receivables including third party recoveries

The Company has insurance receivables that are overdue and not impaired (as disclosed in note 10 to these financial statements). The key associated risk is the recoverability of receivables. Management's related provision for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

The work that we performed to address this key audit matter included the following procedures:

- Obtained an understanding of the Company's process for estimating ECL and assessed the appropriateness of ECL methodology against the requirements of IFRS 9;
- Assessed the reasonableness of managements' key assumptions and judgements made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors; and
- We tested the key inputs of model such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Directors' Report*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report**To the Shareholders of Al Fujairah National Insurance Company PJSC****Report on the Audit of the Financial Statements (continued)****Responsibilities of the 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 IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) and Federal Law No.6 of 2007 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 ISA 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 ISA, we exercise professional judgment 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Company's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

Independent Auditor's Report**To the Shareholders of Al Fujairah National Insurance Company PJSC****Report on the Audit of the Financial Statements (continued)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015 (as amended), we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Directors' Report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;
- v) note 7 to the financial statements discloses investments made by the Company during the year ended 31 December 2021;
- vi) note 11 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. 6 of 2007 concerning the Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly, the UAE Insurance Authority) and Organisation of the Insurance Operations and UAE Federal Law No.(2) of 2015 (as amended) or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2021.

Further, as required by the UAE Federal Law No. (6) of 2007, as amended, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.


GRANT THORNTON
Osama El Bakry
Registered Auditor Number: 935

Dubai, 23 March 2022





Financial Statements 2021



FINANCIAL STATEMENTS 2021

Al Fujairah National Insurance Company PJSC Statement of financial position As at 31 December 2021

	Notes	2021 AED	2020 AED
ASSETS			
Property and equipment	5	47,236,708	44,169,824
Investment properties	6	77,165,000	75,779,000
Financial assets	7	342,827,455	314,629,809
Statutory deposits	8	10,000,000	10,000,000
Reinsurance contract assets	9	55,247,852	54,558,331
Insurance and other receivables	10	65,566,007	57,262,451
Amounts due from related parties	11	2,414,095	2,877,273
Bank balances and cash	12	47,293,704	64,830,545
TOTAL ASSETS		647,750,821	624,107,233
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	133,100,000	121,000,000
Statutory reserve	14	40,963,430	39,094,875
General reserve	14	37,118,270	35,249,715
Reinsurance reserve	14	731,000	362,898
Cumulative changes in fair value of financial assets at FVTOCI		89,864,978	48,766,799
Property revaluation reserve		11,205,588	11,205,588
Retained earnings		26,395,670	59,483,630
TOTAL EQUITY		339,378,936	315,163,505
LIABILITIES			
Provision for employees' end of service indemnity	15	17,292,352	17,109,451
Insurance contract liabilities	9	196,990,587	205,526,011
Insurance and other payables	16	71,571,312	66,256,847
Lease liabilities		22,517,634	20,051,419
TOTAL LIABILITIES		308,371,885	308,943,728
TOTAL EQUITY AND LIABILITIES		647,750,821	624,107,233

These financial statements were approved by the Board of Directors on 23 March 2022 and signed on their behalf by:


Abdul Ghafoor Behroozian
Chairman


Antoine Maalouli
Chief Executive Officer

The notes from 1 to 27 form an integral part of these financial statements.

Al Fujairah National Insurance Company PJSC
Income statement
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Insurance premium revenue	17	242,013,102	268,070,270
Insurance premium ceded to reinsurers	17	(75,359,545)	(61,205,176)
Net insurance premium revenue	17	166,653,557	206,865,094
Gross claims incurred	9	(123,937,139)	(120,714,639)
Insurance claims recovered from reinsurers	9	36,449,826	27,092,094
Net claims incurred		(87,487,313)	(93,622,545)
Gross commission earned		7,918,071	7,524,036
Commission incurred		(12,695,439)	(13,039,195)
Net commission incurred		(4,777,368)	(5,515,159)
Underwriting profit		74,388,876	107,727,390
General and administrative expenses relating to underwriting activities	18	(57,427,278)	(55,674,610)
Net underwriting profit		16,961,598	52,052,780
Investments and other income	19	17,233,282	3,037,736
Finance cost		(152,508)	(239,163)
Unallocated general and administrative expenses	18	(14,356,820)	(13,918,652)
Charge for expected credit losses	10	(1,000,000)	(4,000,000)
Profit for the year		18,685,552	36,932,701
			Restated
Earnings per share (AED) - basic and diluted	20	14.04	27.75

The notes from 1 to 27 form an integral part of these financial statements.

Al Fujairah National Insurance Company PJSC
Statement of comprehensive income
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Profit for the year		18,685,552	36,932,701
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net increase in fair value of investments designated at FVTOCI	7	16,341,228	3,708,818
Gain/(loss) on sale of investments designated at FVTOCI		7,338,651	(651,149)
Other comprehensive income for the year		23,679,879	3,057,669
Total comprehensive income for the year		42,365,431	39,990,370

The notes from 1 to 27 form an integral part of these financial statements.

Al Fujairah National Insurance Company PJSC
Statement of changes in equity
For the year ended 31 December 2021

	Share capital AED	Statutory reserve AED	General reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Property revaluation reserve AED	Retained earnings AED	Total equity AED
Balance at 1 January 2020	110,000,000	35,401,605	31,556,445	-	36,637,580	11,205,588	59,171,917	283,973,135
Profit for the year	-	-	-	-	-	-	36,932,701	36,932,701
Other comprehensive income	-	-	-	-	3,708,818	-	(651,149)	3,057,669
Total comprehensive income for the year	-	-	-	-	3,708,818	-	36,281,552	39,990,370
Transfer to retained earnings on disposal of investment at FVTOCI	-	-	-	-	8,420,401	-	(8,420,401)	-
Increase in capital through bonus issue (note 13)	11,000,000	-	-	-	-	-	(11,000,000)	-
Dividends paid (note 27)	-	-	-	-	-	-	(8,800,000)	(8,800,000)
Transfer to reinsurance reserve (note 14)	-	-	-	362,898	-	-	(362,898)	-
Transfer to statutory reserve (note 14)	-	3,693,270	-	-	-	-	(3,693,270)	-
Transfer to general reserve (note 14)	-	-	3,693,270	-	-	-	(3,693,270)	-
Balance as at 31 December 2020	111,000,000	3,693,270	3,693,270	362,898	8,420,401	-	(35,969,839)	(8,800,000)
	121,000,000	39,094,875	35,249,715	362,898	48,766,799	11,205,588	59,483,630	315,163,505
Balance at 1 January 2021	121,000,000	39,094,875	35,249,715	362,898	48,766,799	11,205,588	59,483,630	315,163,505
Profit for the year	-	-	-	-	-	-	18,685,552	18,685,552
Other comprehensive income	-	-	-	-	16,341,228	-	7,338,651	23,679,879
Total comprehensive income for the year	-	-	-	-	16,341,228	-	26,024,203	42,365,431
Transfer to retained earnings on disposal of investment at FVTOCI	-	-	-	-	24,756,951	-	(24,756,951)	-
Increase in capital through bonus issue (note 13)	12,100,000	-	-	-	-	-	(12,100,000)	-
Dividends paid (note 27)	-	-	-	-	-	-	(18,150,000)	(18,150,000)
Transfer to reinsurance reserve (note 14)	-	-	-	368,102	-	-	(368,102)	-
Transfer to statutory reserve (note 14)	-	1,868,555	-	-	-	-	(1,868,555)	-
Transfer to general reserve (note 14)	-	-	1,868,555	-	-	-	(1,868,555)	-
Balance as at 31 December 2021	121,000,000	1,868,555	1,868,555	368,102	24,756,951	-	(59,112,163)	(18,150,000)
	133,100,000	40,963,430	37,118,270	731,000	89,864,978	11,205,588	26,395,670	339,378,936

The notes from 1 to 27 form an integral part of these financial statements.

Al Fujairah National Insurance Company PJSC
Statement of cash flows
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Cash flows from operating activities			
Profit for the year		18,685,552	36,932,701
<i>Adjustments for:</i>			
Depreciation of property and equipment	5	17,622,244	13,473,114
Gain on disposal of property and equipment	19	(219,048)	(883,317)
(Gain)/loss on disposal of investments at FVTPL	19	(4,839,999)	112,162
Provision for employees' end of service indemnity	15	1,538,043	2,664,811
(Gain)/loss from change in fair value of investments at FVTPL	7	(231,727)	1,999,677
(Gain)/loss from change in fair value of investment properties	6	(1,386,000)	9,096,000
Interest on deposits	19	(922,815)	(2,342,626)
Dividend income	19	(8,212,637)	(7,898,494)
Income from investment properties - net	19	(1,421,056)	(1,502,390)
Finance costs		152,508	239,163
Operating cash flows before changes in operating assets and liabilities		20,765,065	51,890,801
<i>Changes in working capital:</i>			
Reinsurance contract assets		(689,521)	(11,335,699)
Insurance contracts liabilities		(8,535,424)	(24,712,918)
Insurance and other receivables		(8,303,556)	5,197,901
Amounts due from related parties		463,178	(1,406,773)
Insurance and other payables		5,314,465	2,556,220
Cash generated from operations		9,014,207	22,189,532
Employees' end of service benefits paid	15	(1,355,142)	(1,846,890)
Net cash generated from operating activities		7,659,065	20,342,642
Cash flows from investing activities			
Proceeds from disposal of investments		72,652,534	47,835,999
Dividends received	19	8,212,637	7,898,494
Increase in fixed deposits with maturity over 3 months		20,387,231	54,790,033
Income from investment properties	19	1,421,056	1,502,390
Interest received	19	922,815	2,342,626
Proceeds from disposal of property and equipment		219,048	1,003,686
Purchase of financial investments		(72,098,574)	(126,388,874)
Purchase of property and equipment		(2,281,525)	(2,685,119)
Net cash generated from/(used in) investing activities		29,435,222	(13,700,765)
Cash flows from financing activities			
Payment of lease liabilities		(16,093,897)	(13,823,244)
Dividends paid		(18,150,000)	(8,800,000)
Net cash used in financing activities		(34,243,897)	(22,623,244)
Net increase/(decrease) in cash and cash equivalents		2,850,390	(15,981,367)
Cash and cash equivalents at beginning of the year		34,940,786	50,922,153
Cash and cash equivalents at end of the year	12	37,791,176	34,940,786

The notes from 1 to 27 form an integral part of these financial statements.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

1 Legal status and activities

Al Fujairah National Insurance Company PJSC, Fujairah (the “Company”) is incorporated as a public shareholding company by Emiri Decree No. 3 issued by His Highness, The Ruler of Fujairah in October 1976. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly the UAE Insurance Authority) and regulation of its operations and is registered in the Insurance Companies Register of the Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority). under registration number 11. The address of the Company’s registered office is P.O. Box 277, Fujairah, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance and short-term life insurance. The Company operates through its head office in Fujairah and branch offices in Dubai, Abu Dhabi, Sharjah and Dibba.

The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

Federal Law by Decree No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015 (as amended) on Commercial Companies, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

2 Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of UAE Federal Law No. (2) of 2015 (as amended) relating to commercial companies, and of UAE Federal Law No. 6 of 2007 concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly the UAE Insurance Authority) and Organisation of the Insurance Operations, concerning insurance companies and agents. These financial statements are prepared in UAE Dirhams (“AED”).

Basis of preparation

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

2 Statement of compliance with IFRS (continued)

Standards, interpretations and amendments effective from 1 January 2021

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

Standard number	Title	Effective date
IFRS 16	COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)"	1 January 2021

These standards have been adopted by the Company and did not have a material impact on these financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

IFRS 17 Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;
- recognises and measures groups of insurance contracts at:
 - i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
 - ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

2 Statement of compliance with IFRS (continued)

Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

- discloses information to enable users of financial statements to assess the effect that that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts. The Company is currently evaluating the expected impact.

3 Summary of significant accounting policies

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment and is depreciated in accordance with Company's policy.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Freehold property	30
Motor vehicles	5
Furniture and office equipment	4-5
Scrap yard improvements	10

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in income statement within 'other income'.

Investment properties

Investment properties are properties held to earn rentals and /or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognised in the income statement in the period of retirement or disposal.

Transfer is made to or from investment properties only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Investment properties (continued)

The Company determines fair value on the basis of valuation performed by two independent external valuers who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The Company takes average of the value from two different valuers as a fair value in its financial statements.

Leases

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company presents right-to-use assets that do not meet the definition of investment properties in 'Property and equipment' and the lease liabilities as a separate item in the statement of financial position.

Revenue recognition

Insurance contract premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premiums on insurance policies are accounted for on the date of writing of policies.

Commission on reinsurance

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

Interest income

Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes receivable.

Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the lease.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Claims and expenses recognition

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Claims and expenses recognition (continued)

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims. Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and shown as current assets in the statement of financial position.

Provision for IBNR

Provision is also made for any claims incurred but not reported ("IBNR") at the reporting date by the independent actuary approved by the Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include margin for adverse deviation as required by the new regulation.

Provision for ULAE

Provision for unallocated loss adjustment expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority).

Liability adequacy test

At the end of each reporting period, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in profit or loss and an unexpired risk reserve is created.

Unearned premium reserve

Unearned premium reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates to the period of insurance subsequent to the statement of financial position date. UPR is calculated using the 1/365 method except for marine cargo and engineering. The UPR for marine cargo is recognised as higher of 1/365 method and fixed proportion of the written premiums as required in the financial regulation and UPR for engineering assumes increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

Reinsurance premium

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Reinsurance premiums are accounted for in the same accounting periods in which the premiums for the related direct insurance are recorded and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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3 Summary of significant accounting policies (continued)

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, amounts due from related parties and most other receivables.

Financial assets at fair value through profit or loss ('FVTPL')

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities includes other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Impairment and uncollectability of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Company has not recognised any impairment loss against equity instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance brokers, reinsurers and insurance contract holders.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the income statement.

Employee benefits

Defined Contribution plan

UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

Foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirham (“AED”), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded 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.

Exchange differences are recognised in income statements in the period in which they arise.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Short term operating leases

The Company has entered into commercial property leases on its investment properties. The Company, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Equity reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in note 14 to the financial statements.

Retained earnings include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

Underwriting of general insurance business incorporating all classes of general insurance including fire, marine, motor, medical, general accident and miscellaneous. All underwriting activities are carried out in the UAE except for reinsurance which is done principally with companies outside UAE.

Investment incorporating investments in UAE marketable equity securities, fixed deposits with banks and investment properties.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

Transactions with related parties

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rate.

4 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR, ULAE and UPR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Classification of investment properties and related fair value judgement

The Company makes judgement to determine whether a property qualifies as investment properties and follows the guidance of IAS 40 'Investment properties' to consider whether any owner occupied property is not significant and is classified accordingly as investment properties.

Fair value of investment properties is estimated by an independent professional valuer considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

Provision for expected credit losses

Management reviews its insurance receivables on a regular basis to assess whether a provision for expected credit losses should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, management also makes a collective credit loss provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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5 Property and equipment

	Right of use assets AED	Freehold property AED	Motor vehicles AED	Furniture and office equipment AED	Scrap yard improvements AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2021	39,733,317	7,043,095	2,169,496	34,443,341	1,884,870	4,550,174	89,824,293
Additions	20,502,762	-	670,000	699,568	-	911,957	22,784,287
Transfer	-	-	-	535,297	-	(535,297)	-
Disposals	(2,095,159)	-	(590,555)	-	-	-	(2,685,714)
At 31 December 2021	58,140,920	7,043,095	2,248,941	35,678,206	1,884,870	4,926,834	109,922,866
Accumulated depreciation							
At 1 January 2021	16,418,555	1,252,106	1,726,110	25,242,580	1,015,118	-	45,654,469
Charge for the year	13,876,835	234,770	323,905	2,998,247	188,487	-	17,622,244
Disposals	-	-	(590,555)	-	-	-	(590,555)
At 31 December 2021	30,295,390	1,486,876	1,459,460	28,240,827	1,203,605	-	62,686,158
Net book value							
At 31 December 2021	27,845,530	5,556,219	789,481	7,437,379	681,265	4,926,834	47,236,708
Cost							
At 1 January 2020	23,102,495	7,043,095	2,303,525	32,598,889	1,865,770	3,934,403	70,848,177
Additions	23,130,822	-	150,596	1,327,575	19,100	1,187,848	25,815,941
Transfer	-	-	-	572,077	-	(572,077)	-
Disposals	(6,500,000)	-	(284,625)	(55,200)	-	-	(6,839,825)
At 31 December 2020	39,733,317	7,043,095	2,169,496	34,443,341	1,884,870	4,550,174	89,824,293
Accumulated depreciation							
At 1 January 2020	10,666,248	1,017,336	1,581,646	22,073,017	827,939	-	36,166,186
Charge for the year	9,517,682	234,770	363,920	3,169,563	187,179	-	13,473,114
Disposals	(3,765,375)	-	(219,456)	-	-	-	(3,984,831)
At 31 December 2020	16,418,555	1,252,106	1,726,110	25,242,580	1,015,118	-	45,654,469
Net book value							
At 31 December 2020	23,314,762	5,790,989	443,386	9,200,761	869,752	4,550,174	44,169,824

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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5 Property and equipment (continued)

- Freehold property comprise apartments purchased in Dubai to be used for Dubai branch operations.
- At 31 December 2021, the cost of fully depreciated property and equipment that was still in use amounted to AED 19.08 million (2020: AED 19.2 million).
- In 2006, the Company transferred its building to investment property at fair value. The difference between the carrying amount of the building and its fair value at the date of transfer is treated as a property revaluation reserve.

6 Investment properties

	2021 AED	2020 AED
Fair value		
At 1 January	75,779,000	84,875,000
Increase/(decrease) in fair value during the year	1,386,000	(9,096,000)
Net book value at 31 December	<u>77,165,000</u>	<u>75,779,000</u>

Investment properties represents fair value of two buildings and a plot of land which are located in Fujairah U.A.E.

The investment properties of the Company were valued by two independent and experienced professional valuers Pioneers Surveyors & Loss Adjusters and Nam Valuers which estimated the fair value of investment properties as at 31 December 2021 at a value of AED 78.05 million and AED 76.28 million respectively (2020: 3D Appraisals International and Arab Loss Adjusters Co. LLC, independent and experienced professional valuers estimated the fair value of investment properties at AED 72.8 million and AED 78.7 million respectively). The Company has opted the average of the two investment properties valuations. The valuers hold relevant professional qualifications and experience. Investment properties are held for capital appreciation and rental purposes. The Company occupies an insignificant area of 10.6% (2020: 10.6%) in the investment properties for use in its own business.

Details of the investment properties and information about the fair value hierarchy as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021			Fair value as at 31 December 2020
	Level 1 AED	Level 2 AED	Level 3 AED	Level 3 AED
Plot of land	-	-	9,525,000	8,875,000
Buildings and plots of land on which such buildings are constructed	-	-	67,640,000	66,904,000
	-	-	<u>77,165,000</u>	<u>75,779,000</u>

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
For the year ended 31 December 2021

6 Investment properties (continued)

For investment properties categorised into level 3 of the fair value hierarchy, the following information is relevant:

Valuation techniques	Significant input(s)	Sensitivity
Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of properties, and prevailing market condition. Yearly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the investment properties.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.
Sales comparison approach	Recent market transactions for similar properties in the same location.	The land is subject to sales value fluctuations of surrounding properties.

7 Financial assets

The Company's financial assets at the end of reporting year are detailed below:

	2021 AED	2020 AED
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Quoted equity securities	140,757,699	139,804,367
Mutual funds	118,042,021	107,403,681
Unquoted equity securities	46,831,844	36,658,909
Quoted debt Securities	5,492,326	9,287,153
Structured products	3,611,300	7,222,601
	<u>314,735,190</u>	<u>300,376,711</u>
Financial assets measured at fair value through profit and loss (FVTPL)		
Quoted equity securities	28,092,265	14,253,098
	<u>342,827,455</u>	<u>314,629,809</u>

The movements in the financial investments are as follows:

	2021 AED	2020 AED
At fair value through other comprehensive income		
Fair value at the beginning of the year	300,376,711	202,435,021
Purchases during the year	23,865,487	112,154,091
Disposals during the year	(25,848,236)	(17,921,219)
Net increase in fair value	16,341,228	3,708,818
Fair value at the end of the year	<u>314,735,190</u>	<u>300,376,711</u>

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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7 Financial assets (continued)

Investments at FVTOCI comprise the following:

	2021 AED	2020 AED
Within U.A.E.	179,591,216	179,983,244
Outside U.A.E.	135,143,974	120,393,467
	<u>314,735,190</u>	<u>300,376,711</u>

Mutual funds comprise investment in local and international funds which are administered by financial institutions domiciled in U.A.E.

The cumulative changes in fair value of financial investments carried at FVTOCI amounting to AED 89.9 million (2020: AED 48.8 million) is shown under equity.

	2021 AED	2020 AED
At fair value through profit or loss		
Fair value at the beginning of the year	14,253,098	14,792,777
Purchases during the year	48,233,087	7,013,883
Disposals during the year	(34,625,647)	(5,553,885)
Net increase/(decrease) in fair value (note 19)	231,727	(1,999,677)
Fair value at the end of the year	<u>28,092,265</u>	<u>14,253,098</u>

All financial investments at FVTPL are held in U.A.E.

8 Statutory deposits

	2021 AED	2020 AED
Statutory deposit maintained in accordance with Article 42 of U.A.E., Federal Law No. 6 of 2007	<u>10,000,000</u>	<u>10,000,000</u>

Statutory deposits held with local banks in UAE represent deposit held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly the UAE Insurance Authority) and Organisation of its Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

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9 Insurance contract liabilities and reinsurance contract assets

	2021 AED	2020 AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	72,446,792	72,290,425
Claims incurred but not reported	22,838,415	26,989,765
Unearned premiums	101,705,380	106,245,821
Total insurance contract liabilities, gross	196,990,587	205,526,011
Recoverable from reinsurers		
Insurance contract assets:		
Claims reported unsettled	(25,851,447)	(24,888,486)
Claims incurred but not reported	(8,282,083)	(6,816,410)
Unearned premiums	(21,114,322)	(22,853,435)
Total reinsurers' share of insurance contract liabilities	(55,247,852)	(54,558,331)
Net		
Claims reported unsettled	46,595,345	47,401,939
Claims incurred but not reported	14,556,332	20,173,355
Unearned premiums	80,591,058	83,392,386
	141,742,735	150,967,680

Al Fujairah National Insurance Company PJSC
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9 Insurance contract liabilities and reinsurance contract assets (continued)

Movements in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2021			2020		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	72,290,425	(24,888,486)	47,401,939	75,533,460	(27,531,678)	48,001,782
Incurred but not reported	26,989,765	(6,816,410)	20,173,355	27,424,594	(4,211,917)	23,212,677
Total at the beginning of the year	99,280,190	(31,704,896)	67,575,294	102,958,054	(31,743,595)	71,214,459
Claims settled during the year	(127,932,121)	34,021,191	(93,910,930)	(124,392,503)	27,130,793	(97,261,710)
Increase in liabilities	123,937,139	(36,449,826)	87,487,313	120,714,639	(27,092,094)	93,622,545
Total at the end of the year	95,285,208	(34,133,531)	61,151,677	99,280,190	(31,704,896)	67,575,294
Notified claims						
Incurred but not reported	72,446,792	(25,851,447)	46,595,345	72,290,425	(24,888,486)	47,401,939
	22,838,415	(8,282,083)	14,556,332	26,989,765	(6,816,410)	20,173,355
Total at the end of the year	95,285,207	(34,133,530)	61,151,677	99,280,190	(31,704,896)	67,575,294
Unearned premium						
Total at the beginning of the year	106,245,821	(22,853,435)	83,392,386	127,280,875	(11,479,037)	115,801,838
Increase during the year	1,813,166	(399,349)	1,413,817	11,977,187	(11,374,732)	602,455
Release during the year	(6,353,607)	2,138,462	(4,215,145)	(33,012,241)	334	(33,011,907)
Net increase during the year (note 17)	(4,540,441)	1,739,113	(2,801,328)	(21,035,054)	(11,374,398)	(32,409,452)
Total at the end of the year	101,705,380	(21,114,322)	80,591,058	106,245,821	(22,853,435)	83,392,386

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10 Insurance and other receivables

	2021 AED	2020 AED
Due from policy holders		
Accounts receivable	44,268,918	33,187,772
Post dated cheques	2,136,993	2,025,231
	46,405,911	35,213,003
Charge for expected credit losses	(17,078,365)	(16,879,398)
	29,327,546	18,333,605
Due from insurance and reinsurance companies and brokers		
Insurance companies – net	13,286,090	13,596,343
Reinsurance companies	1,729,982	4,351,152
Brokers	1,641,064	2,005,007
	16,657,136	19,952,502
Charge for expected credit losses	(1,452,055)	(1,452,055)
	15,205,081	18,500,447
Other receivables		
Prepayments and others	22,556,244	21,150,230
Charge for expected credit losses	(1,522,864)	(721,831)
	21,033,380	20,428,399
	65,566,007	57,262,451

The average credit period on insurance receivable is 60 days (2020: 60 days). No interest is charged on overdue balances and no collateral is taken on insurance receivables. Insurance receivables outstanding above 365 days are provided for (other than for government related entities) based on estimated irrecoverable amounts determined by reference to past default experience.

Movement of expected credit losses for insurance and other receivables:

	2021 AED	2020 AED
Balance at 1 January,	19,053,284	15,053,284
Charge for the year	1,000,000	4,000,000
Balance at 31 December,	20,053,284	19,053,284

11 Related parties

Related parties include the Company's major shareholders, directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel. All related party transactions are carried on terms approved by the management.

Details of related parties' balances are as follows:

Amounts due from related parties

	2021 AED	2020 AED
<i>Related parties due to common directorship</i>		
Fujairah National Group of Companies	1,431,075	2,044,929
Others	983,020	832,344
	2,414,095	2,877,273

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Notes to the financial statements
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11 Related parties (continued)

Details of significant transactions with related parties are shown below:

	2021 AED	2020 AED
<i>Entities under common control</i>		
Gross premiums	20,029,461	21,524,621
Claims paid	(199,413)	(2,272,136)

Key management personnel remuneration:

	2021 AED	2020 AED
Short term benefits	8,440,394	12,104,636
Board of directors' meeting allowance	1,350,000	1,335,000
Post-employment benefits	425,722	864,189

12 Bank balances and cash

	2021 AED	2020 AED
Bank balances:		
Current and call accounts	27,091,289	23,459,844
Fixed deposit	19,843,846	40,962,013
Cash in hand	358,569	408,688
	47,293,704	64,830,545

Bank balances are maintained with banks within United Arab Emirates.

Cash and bank includes short term deposits (3-12 months) with local banks carrying interest ranging from 1% to 3.65% per annum (2020: 2.2% to 4% per annum).

Fixed deposits amounting to AED 2 million (2020: AED 2 million) is under lien in respect of bank credit facilities granted to the Company.

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in bank net of fixed deposits with maturity over three months from date of placement. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2021 AED	2020 AED
Bank balances and cash	47,293,704	64,830,545
Deposit under lien	(2,000,000)	(2,000,000)
Fixed deposits with maturity over 3 months	(7,502,528)	(27,889,759)
	37,791,176	34,940,786

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13 Share capital

The authorised and issued share capital comprises 1,331,000 fully paid-up shares of AED 100 each:

	2021	2021	2020	2020
	No of shares	AED	No of shares	AED
Balance at 31 December	1,331,000	133,100,000	1,210,000	121,000,000

The Shareholders' General Assembly held on 21 April 2021 approved the issuance of bonus shares at 10% of share capital for the year ended 31 December 2020 amounting to AED 12.1 million. (2020: The shareholders' General Assembly approved 10% bonus shares for the year ended 31 December 2019).

14 Reserve

Statutory reserve

In accordance with U.A.E. Federal Law Number 2 of 2015 (as amended), the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. For the year ended 31 December 2021, AED 1.9 million was transferred to the statutory reserve (2020: AED 3.7 million).

General reserve

The Company has established a General reserve by appropriation of 10% of profit for each year. Appropriation to the General reserve may be stopped by the Shareholders' General Assembly based on recommendation from the Board of Directors. This reserve is distributable based on a recommendation by the Board of Directors and Shareholders' approval. For the year ended 31 December 2021, AED 1.9 million was transferred to the general reserve (2020: AED 3.7 million).

Reinsurance reserve

In accordance with Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority) Board of Directors' Decision No. 23, Article 34, an amount of AED 0.368 million was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution, and will not be disposed of without prior approval from Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority).

15 Provision for employees' end of service indemnity

	2021	2020
	AED	AED
Balance at 1 January	17,109,451	16,291,530
Charge for the year	1,538,043	2,664,811
Payments during the year	(1,355,142)	(1,846,890)
Balance at 31 December	17,292,352	17,109,451

16 Insurance and other payables

	2021	2020
	AED	AED
Due to insurance companies	25,895,716	27,713,562
Due to reinsurance companies	14,029,898	12,129,024
Trade payables	13,033,508	8,960,554
Accrued expenses and provisions	6,183,042	5,572,202
Premium reserve withheld	4,256,213	3,991,719
Notes payables	3,469,723	1,718,395
Other payables	4,703,212	6,171,391
Total insurance and other payables	71,571,312	66,256,847

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16 Insurance and other payables (continued)

The average credit period is 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

17 Net insurance premium revenue

	2021 AED	2020 AED
Gross premium written		
Gross premium written	237,472,661	247,035,216
Change in unearned premium (note 9)	4,540,441	21,035,054
	<u>242,013,102</u>	<u>268,070,270</u>
Reinsurance premium ceded		
Reinsurance premium ceded	(73,620,432)	(72,579,574)
Change in unearned premium (note 9)	(1,739,113)	11,374,398
	<u>(75,359,545)</u>	<u>(61,205,176)</u>
Net insurance premium revenue	<u>166,653,557</u>	<u>206,865,094</u>

18 General and administrative expenses

	2021 AED	2020 AED
Staff cost	33,675,715	39,378,850
Depreciation	17,622,244	13,473,114
Rent	9,555,501	6,362,074
Office utilities and maintenance	3,883,670	2,996,488
Bank charges	1,501,603	1,417,611
Directors' remuneration	1,350,000	1,335,000
Policy registration and printing	1,310,103	1,515,120
Business promotion and donations	1,057,013	737,448
Legal and professional charges	918,596	1,281,828
Insurance	72,362	59,823
Other expenses	837,291	1,035,906
	<u>71,784,098</u>	<u>69,593,262</u>
Unallocated general and administrative expenses	14,356,820	13,918,652
Allocated general and administrative expenses relating to underwriting activities	57,427,278	55,674,610
	<u>71,784,098</u>	<u>69,593,262</u>

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19 Investments and other income

	2021 AED	2020 AED
Dividends from financial investments	8,212,637	7,898,494
Interest on deposits	922,815	2,342,626
Rent relief	-	1,618,748
Net income from investment properties	1,421,056	1,502,390
Gain on disposal of property and equipment	219,048	883,317
Gain/(loss) from change in fair value of investment properties (note 6)	1,386,000	(9,096,000)
Gain/(loss) from change in fair value of financial investments at FVTPL (note 7)	231,727	(1,999,677)
Gain/(loss) on disposal of financial investments at FVTPL	4,839,999	(112,162)
	17,233,282	3,037,736

20 Basic earnings per share

	2021	Restated 2020
Profit for the year (AED)	18,685,552	36,932,701
Weighted average number of shares (note 13)	1,331,000	1,331,000
Earnings per share (AED) - basic and diluted	14.04	27.75

During the year, the Company issued 10% bonus shares of the share capital for the year ended 31 December 2020. Accordingly, additional number of shares under bonus shares have been adjusted retrospectively in computing the earnings per share for the prior years.

21 Segment reporting

The Company is organised into two main business segments:

Underwriting of general insurance business incorporating all classes of general insurance including fire, marine, motor, medical, general accident and miscellaneous. All underwriting activities are carried out in the UAE except for reinsurance which is done principally with companies outside U.A.E.

Investments incorporating investments in U.A.E. marketable equity securities, fixed deposits with banks and investment properties.

Segmental information is presented below:

The following is an analysis of the Company's gross premium written classified by major underwriting departments:

	2021 AED	2020 AED
Motor	117,311,886	135,713,843
Group life and medical insurance	68,245,694	60,928,388
Engineering, fire, general accidents and others	44,526,772	44,190,365
Marine and aviation	7,388,309	6,202,620
	237,472,661	247,035,216

Al Fujairah National Insurance Company PJSC
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21 Segment reporting (continued)

The following is an analysis between the Company's underwriting and investment business segments:

	2021 AED		2020 AED			
	Underwriting	Investments and other income	Total	Underwriting	Investments and other income	Total
Net insurance premium revenue	166,653,557	-	166,653,557	206,865,094	-	206,865,094
Net claims incurred	(87,487,313)	-	(87,487,313)	(93,622,545)	-	(93,622,545)
Net commissions incurred	(4,777,368)	-	(4,777,368)	(5,515,159)	-	(5,515,159)
Income from investment and others	-	17,233,282	17,233,282	-	3,037,736	3,037,736
Segment result	16,961,598	17,233,282	34,194,880	52,052,780	3,037,736	55,090,516
Unallocated costs:	-	-	(15,509,328)	-	-	(18,157,815)
Net profit for the year	-	-	18,685,552	-	-	36,932,701

	2021 AED		2020 AED			
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	180,464,662	439,836,301	620,300,963	168,867,879	431,370,822	600,238,701
Unallocated assets			27,449,858			23,868,532
Total assets			647,750,821			624,107,233
Segment liabilities	291,079,533	-	291,079,533	291,834,277	-	291,834,277
Unallocated liabilities			17,292,352			17,109,451
Total liabilities			308,371,885			308,943,728

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22 Commitments and contingencies

	2021 AED	2020 AED
Letter of guarantee	19,578,407	20,141,907
Capital commitments	430,407	614,886

23 Risk management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses above a set limit of AED 0.5 million in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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23 Risk management (continued)

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the reporting date.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

Type of risk	2021	2020
Motor	53%	45%
Non-Motor	61%	45%

Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and review of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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23 Risk management (continued)

Process used to decide on assumptions (continued)

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

Concentration of insurance risk

All of the Company's underwriting activities are carried out in the United Arab Emirates.

The insurance risk before and after reinsurance in relation to the motor and non-motor insurance risk accepted is summarised below:

	31 December 2021			31 December 2020		
	Motor	Non-motor	Total	Motor	Non-motor	Total
	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
Gross sum insured	2,225,146	154,416,909	156,642,055	2,122,221	161,843,356	163,965,577
Net sum insured	2,091,638	50,494,143	52,585,781	2,016,110	51,701,720	53,717,830

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 17 million for the year ended 31 December 2021 (2020: AED 52 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 57% (2020: 45%) and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 94% (2020: 95%). However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has net commission incurred of AED 4.8 million (2020: AED 5.5 million). Commissions earned arise primarily from the reinsurance placements and are a consistent and recurring source of income.

Because of low risk retention in non-motor lines of business, being 53% (2020: 45%) of the total volume of business and limited exposure in the high risk retention area of motor business, the Company is comfortable to maintain a net loss ratio of 55% (2020: 46%) and does not see any serious financial impact in the insurance net profit.

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23 Risk management (continued)

Financial risk

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

Interest rate risk

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2021, bank deposits carried interest rates ranging from 1% to 4% per annum (2020: 1% to 4% per annum).

The Company has no exposure to interest rate risk towards its interest bearing financial assets as they carry fixed interest rate.

The Company's sensitivity to interest rates has not changed significantly from the prior year.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

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23 Risk management (continued)

Financial risk (continued)

Credit risk (continued)

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired AED '000	Past due			Total AED '000	Past due and impaired AED '000	Total AED '000
		<270 days AED '000	271 -365 days AED '000	>365 days AED '000			
31 December 2021	27,436	15,637	2,570	29,965	75,608	(20,053)	55,555
31 December 2020	34,060	9,316	2,272	28,924	74,572	(19,053)	55,519

Before accepting any new customer, the Company assesses the prospective customers credit quality and defines credit limits. Of the due from policyholders balance at the end of year, AED 7.9 million (2020: AED 9.8 million) is due from the Company's largest customer. There are 2 (2020: 3) customers who individually represents more than 5% (2020: 5%) of the total balance of due from policyholders.

Market risk management

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market price risk with respect to their quoted investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

Sensitivity analysis

At the reporting date if the investments prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's:

- Profit would have increased/decreased by AED 2.8 million (2020: AED 1.4 million) in the case of financial investments at FVTPL.
- Other comprehensive income would have increased/decreased by AED 31.5 million (2020: AED 30.0 million) in the case of financial investments designated at FVTOCI.

Al Fujairah National Insurance Company PJSC
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23 Risk management (continued)

Market risk management (continued)

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if investments prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown on previous page.
- A 10% change in investments prices has been used to give a realistic assessment as a plausible event.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

31 December 2021	Less than 90 days AED	91-270 days AED	271-365 days AED	Above 365 days AED	Total AED
Financial assets					
At fair value through OCI	-	-	-	314,735,190	314,735,190
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	31,169,545	18,528,988	2,970,489	3,409,894	56,078,916
At fair value through profit or loss	-	-	28,092,265	-	28,092,265
Bank balances and cash - non interest bearing	27,449,858	-	-	-	27,449,858
Bank balances and cash - interest bearing	341,318	9,502,528	-	10,000,000	19,843,846
	<u>58,960,721</u>	<u>28,031,516</u>	<u>31,062,754</u>	<u>338,145,084</u>	<u>456,200,075</u>
Financial liabilities					
Insurance and other payables	24,185,734	26,269,967	4,853,376	16,262,235	71,571,312

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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23 Risk management (continued)

Liquidity risk (continued)

31 December 2020	Less than 90 days AED	91-270 days AED	271-365 days AED	Above 365 days AED	Total AED
Financial assets					
At fair value through OCI	-	-	-	300,376,711	300,376,711
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	32,970,857	10,440,217	2,576,012	5,799,695	51,786,781
At fair value through profit or loss	-	-	14,253,098	-	14,253,098
Bank balances and cash - non interest bearing	23,868,532	-	-	-	23,868,532
Bank balances and cash - interest bearing	739,374	30,222,639	-	10,000,000	40,962,013
Financial liabilities	57,578,763	40,662,856	16,829,110	326,176,406	441,247,135
Insurance and other payables	24,746,691	18,935,803	3,106,515	13,895,636	60,684,645

24 Capital risk management

The Company's objective when managing capital risks are:

- To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 6 of 2007 concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly the UAE Insurance Authority) and Organisation of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100 million (2020: AED 100 million).
- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.
- To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

In U.A.E., the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2021 AED	2020 AED
Total capital held	133,100,000	121,000,000
Minimum regulatory capital	100,000,000	100,000,000

Al Fujairah National Insurance Company PJSC
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24 Capital risk management (continued)

The Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority) has issued a resolution number 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for reinsurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the U.A.E. should be owned by U.A.E. or GCC national individuals or corporate bodies.

The solvency regulations identify the required solvency margin to be held in addition to insurance liabilities. The solvency margin must be maintained at all times throughout the year. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The table on the next page provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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25 Fair value measurement (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2021 AED	31 December 2020 AED				
Quoted equity investments – FVTOCI	140,757,699	139,804,367	Level 1	Quoted bid prices in an active market.	None.	NA
Mutual funds	118,042,021	107,403,681	Level 3	Net assets value	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity investments – FVTOCI	46,831,844	36,658,909	Level 3	Adjusted net assets value	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	28,092,265	14,253,098	Level 1	Quoted bid prices in an active market.	None.	NA
Quoted Debt Securities – FVTOCI	5,492,326	9,287,153	Level 1	Quoted bid prices in an active market.	None.	NA
Structured Products - FVTOCI	3,611,300	7,222,601	Level 3	Discounted cashflows	None.	Higher the discounted cash flow, higher the fair value.

26 Dividends and bonus shares

The shareholders' General Assembly held on 22 April 2021 approved the payment of cash dividends at 15% of share capital and 10% bonus shares of the share capital for the year 2020. (2020: The shareholders' General Assembly approved the payment of 8% cash dividends and 10% bonus shares for the year 2019).

The Board of Directors has proposed cash dividend of 10% of share capital for the year ended 31 December 2021 at their Board of Directors meeting held on 23 March 2022. The proposals are subject to approval by the Shareholders at the Annual General Meeting.

27 Post-reporting date events

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Company for the year ended 31 December 2021. Management will assess the implications of this Federal Corporate Tax in due course.

Al Fujairah National Insurance Company PJSC
Notes to the financial statements
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27 Post-reporting date events (continued)

As stated in note 26, the Board of Directors has proposed cash dividend of 10% of share capital for the year ended 31 December 2021.

Except for the events noted above, there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.



Corporate Governance Report 2021

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Al Fujairah National Insurance CO Corporate Governance Report For 2021

1- Governance principles implementation.

Based on company determination represented by the board of directors and the executive management, to implement the governance rules and controls as provided for in the ministerial decree no. 3/RM for 20 20 approving the Governance Manual for Public Joint Stock Companies , the board of directors follow up the implementation of governance controls with the company executive management through the two committees of auditing, nomination and remuneration as well the other formed committees as follows:

- 1- To implement the company policy for disclosure and transparency.
- 2- To provide the interim financial data in the scheduled times for disclosure.
- 3- To comply with holding the meetings of board of directors and the attendance in person for the members and the permanent committees of board of directors as per the rules of governance and institutional discipline.
- 4- To follow up the implementation of the decisions and the recommendations of board of directors and permanent committees.
- 5- To participate and communicate with the events those serve the interest of civil society.
- 6- To follow up the rules and procedures of the dealings of board of directors and company staff in the securities issued the company, sister companies, subsidiaries or associated companies.
- 7- To follow up the implementation of professional conduct of code applied on the company members of board of directors and staff.
- 8- To ensure the effective communication with the shareholders and convey their views to the board of directors.
- 9- To give the opportunity for all shareholders to participate effectively in the deliberations of general assembly meetings and vote on its decision.

2- Statement of procedures and transactions of Board of Directors (Board) members and their spouses, their children in the company securities during 2021, according to the following schedule

The members of board of directors, their spouses and their sons have no dealings in the securities of company during 2021,

3- Board Formation

A- The composition of board of directors as the following table:

Name and category executive, non – executive, and independent	Experience	Qualifications	The period he spent as a board member from the date of his first election	Their membership and positions at any other joint-stock companies	Their position in any other important regulatory government or, commercial positions
Mr. Abdul Ghafour Hashem Behroozian None executive and independent The chairman	Experience in government and private work	Bachelor of Business Administration	45	The chairman of Fujairah Trade center – a board member in Fujairah Cement company	
Mr. Mohamed Abdulla Sultan Al Salami None executive and independent Deputy Chairman	Experience in the administrative field and civil aviation	B.A in political science and business administration and aviation science courses	32	The CEO of Fujairah civil aviation authority	The deputy chairman of UAE General Civil Aviation Authority

Name and category executive, non – executive, and independent	Experience	Qualifications	The period he spent as a board member from the date of his first election	Their membership and positions at any other joint-stock companies	Their position in any other important regulatory government or, commercial positions
Mr. Saif Sultan Abdulla Ahmed Al Salami None executive and independent member	Executive director in Fujairah national group since 1994	Bachelor of Electrical Engineering and master in Computer Science	12		Board member of Fujairah National Bank
Dr. Salem Abdou Khaleel Mohamed Elzyri None executive and independent member	Studying, assessing and implementing the projects	Doctorate in chemistry and food science	38		Secretary of Fujairah National Bank board of directors
Mr. Humaid Mohamed Humaid Al Yammahi None executive and independent member	30 year experience in government work	Sociology Bachelor Degree	15	Deputy chairman of Fujairah Trading Company	Deputy chairman of Fujairah Trading Company

Name and category executive, non – executive, and independent	Experience	qualifications	The period he spent as a board member from the date of his first election	Their membership and positions at any other joint-stock companies	Their position in any other important regulatory government or, commercial positions
Mr. Saeed Mobarak Obaid Ahmed Al Zahmi None executive and none independent member	Experience in advocacy and insurance and risk management courses	Master in law	25		
Mr. Mohamed Shareef Habib Mohamed Al Awadi None executive and independent member	Experience in the administrative field for the vital projects and administrative training	Bachelor Degree in Geology and Diploma in public administration	12		General Director of Fujairah Free Zone Authority
Mr.Faisal Suliman Mussa Al Jassim None executive and independent member	Experience in the private work	B.A in marketing	4		

B: The woman representation in the BOD during 2021 :

No representation.

C: The reasons for the absence of any female candidate for the board membership :

No woman was nominated for BOD elections.

D: 1-The total remunerations paid to the BOD members during 2020 :-

The total amount of BOD remunerations paid during 2020 reached AED 1,350,000.

2- The total remunerations of the BOD Which are proposed for 2021 and will be presented in the annual general assembly meeting for approval:-

The remunerations of the BOD is set 1,350,000 AED .

3- The details of the allowances for attending sessions of the committees emanating from the Board , which were received by the Board members for 2021 fiscal year ,according to the following schedule :

The BOD members did not receive meeting attendance allowances of BOD subsidiary committees for the fiscal year 2021 .

E- The number of BOD meetings held during the fiscal year 2021 with their dates, and the attendance frequency in person for all members clarifying the members who attended by a proxy:-

The BOD held six meetings during the ended fiscal year 2021 ended on 31/12/2021 as follows:-

Ser	Date of meeting	Number of attendees	Number of attendees by proxy	Names of absent members
1	17/03/2021	8		
2	10/5/2021	8		
3	11/08/2021	8		
4	28/9/2021	8		
5	14/11/2021	8		
6	16/11/2021	7		MOHAMED ABDULLA SULTAN AL SALAMI

2 Reports

F-Number of the Board resolutions passed during the 2020 fiscal year along with its meeting convention .

No any Board resolution issued by passed during year 2021 .

G- Duties and functions of the Board of directors carried out by the executive management by the authorization from the board to the management:-

The Board of directors delegated the executive management to carry out all acts related to the company activity provided in the articles of association including, the insurance acts, disbursing the accident dues, real estate's management, and taking all appropriate actions that benefit the company performance in this regard, provided that the board of directors should be consulted in case of taking any decisions related to the strategic policies of company such as, the investment policy, signing contracts and loans given that the delegation of functions will renewed annually. Note that the authorization is valid for 28/4/2023 .

H- The details of the transactions made with the related parties (Stakeholders) during 2021 ,provided that it shall include the following:

There are no financial transactions with the related parties equal to 5% or more of the company capital .

Company organizational

- **A detailed statement for the senior executives in the first and second grade according to the company organizational structure, and their jobs, dates of their appointment clarifying the total of salaries and remunerations paid to the same:-**

Position	Date of appointment	Total of salaries and allowances paid in 2020	Total of remunerations paid in 2020	Any other remunerations in cash or in kind in 2020 or due in the future
Chief Executive Officer	1/6/1981	1,779,538	unspecified	N/A
Deputy Chief Executive Officer- Technical & Reinsurance	19/4/2003	694,418	unspecified	N/A
Finance Director	28/10/1978	554,825	unspecified	N/A
Human Resources, marketing and administration Director	2/2/2014	595,101	unspecified	N/A
Senior Manager – Central Claims	1/2/1982	329,015	unspecified	N/A
Central Underwriting Manager	15/6/1991	232,917	unspecified	N/A
Fujairah branch manager	2/8/2003	825,021	unspecified	N/A
Information systems manager	28/9/2003	363,702	unspecified	N/A
Legal affairs manager	21/12/2002	227,119	unspecified	N/A
Health & life Insurance Director	3/1/2005	504,397	unspecified	N/A
Internal control manager	12/7/2015	373,690	unspecified	N/A
Real estate manager	1/9/2009	200,826	unspecified	N/A
Business development manager	24/5/1977	363,444	unspecified	N/A
Senior Under writing Manager -Property	13/11/2011	348,357	unspecified	N/A

Note: The Report will be updated as soon as the remunerations is determine from executive management.

4- External auditor

A- Summary about external auditor for company:-

Grant Thornton for external auditing is one of biggest offices that work in the field of auditing in the country since it was established in UAE long time ago and gained the good reputation in the business communities thanks to its long experience in this field.

Given that **Grant Thornton** has been carrying out the external auditing for the company since 2018, and there is no other external auditor carries out the auditing or provides financial services to the company.

Partner name: Mr : farouk Mohammed .

B- The fees and costs of auditing and services provided by the external auditor during 2021 :

Auditing office name- Partner Name	Grant Thornton- Farouk Mohammed
Number of years he served as the company auditor	4 year
Number of years that the partner auditor served as the company auditor	4 year
Total audit fees for 2021	AED 165,000
The fees and costs of other private services other than auditing the financial statements for 2021(money laundering report)2021	29,480
The statement of the other services carried out by other auditor for the company during 2021	N/A

C- No other reservations made by the company external auditor in the provisional or annual financial statements for 2021

5- Audit committee

A - The Audit committee Chairman acknowledgment of his responsibility for the committee system at the company ,his review of its work mechanism and ensuring its effectiveness :

I acknowledge that Dr . Salem Abdou Khaleel Elzini the Chairman of Audit Committee is responsible for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness .

B - Name of audit committee members, and clarifying their competences and tasks signed to them :

Dr. Salem Abdou Khalil Al zyni - Board member- None executive and independent member – Committee chairman

Mr. Saif Sultan Abdulla Ahmed Al Salami - Board member- None executive and independent member .

Mr .Saeed Mobarak Obaid Ahmed Al Zahmi - Board member- None executive and none independent member .

Mr. Mohamed Shareef habib Mohamed Al Awadi— Board member- None executive and independent member

Mr. Faisal Sulaiman Mussa Al Jassim- None executive and independent member

Committee duties:-

- 1- To develop and apply the contract policy with the external auditor, and report to the board of directors specifying the matters in which actions should be taken with the recommendations for the required steps.
- 2- To follow up and monitor the independency and objectivity of the external auditor, and discuss the nature and the scope of auditing and its efficiency according to the approved auditing criteria
- 3- - Monitoring the integrity of the company financial statements and reports, and reviewing them as part of its normal work during the year, and it should focus in particular on the following:
 - a- Any changes in the accounting policies and practices.
 - b- Highlighting the aspects subject to management's estimate.
 - c- The substantive amendments resulting from the audit.
 - d- Adhering to the accounting standards prescribed by the authority.
- 4- Complying with the laws of inclusion, disclosure and other legal requirements related to the preparation of financial reports.

- 5- Coordination with the board, Executive Management and Chief Financial Officer in order to perform its functions. The Committee shall meet with the external auditor of the company once at least a year.
- 6- The consideration of any important and unfamiliar items which are included or should be reflected in these reports and accounts, and it should give the necessary attention to any issues posed by the general director, chief financial officer, compliance officer or the auditor.
- 7- Reviewing the financial control systems, internal control and risk management in the company.
- 8- Discussing the internal control system with the administration and verifying that it meets its duty in establishing an effective system of the internal control.
- 9- Considering the results of the main investigations in the internal control issues assigned to it by the Board or which are conducted with an initiative of the committee and by the approval of the Board.
- 10- Ensuring the coordination between the internal auditor and the external auditor, ensuring the availability of resources necessary for the internal audit team and reviewing the effectiveness of such team.
- 11- Reviewing the financial and accounting policies and procedures of the company.
- 12- Reviewing the mission and work plan of the External Auditor and any substantial inquiries posed by the auditor to the management regarding the accounting registers, financial accounts or control systems and its refusal and approval to them.
- 13- Verifying the response of the Board at the required time to the clarifications and substantial matters stated in the external auditor letter.
- 14- Developing the controls that enable the company's employees to report any possible irregularities in the financial reports or the internal control or other matters confidentially, and the steps necessary to conduct independent and fair investigations of such irregularities.
- 15- Monitoring the company compliance with the ethical code.
- 16- Ensuring the application of the work rules of its tasks and the powers assigned to it by the board.
- 17- Submitting a report to the board on the matters included in this article.
- 18- Considering any other matters identified by the board.

- C- Number of meetings held by the audit committee during the year 2021 and their dates to discuss the matters related to financial statements and any other matters , and demonstrating the members personal attendance times in the held meetings :

The Meetings of the Audit Committee During the Year 2021

Members	17/3/2021	10/5/2021	29/6/2021	16/11/2021	Number of Personal Attendance
Dr. Salem Abdou Khalil Mohamed Al zyni	✓	✓	✓	✓	5
Mr. Saif Sultan Abdulla Ahmed Al Salami	✓	✓	✓	✓	5
Mr. Saeed Mobarak Obaid Ahmed Al Zahmi	✓	✓	✓	✓	5
Mr. Mohamed Shareef Habib Mohamed Al Awadi	✓	✓	✓	✓	5
Mr. Faisal Suliman Mussa Al Jassim	✓	✓	✓	✓	5

6- Nomination and Remuneration Committee

- A- The Nomination and Remuneration Committee Chairman acknowledgment of his responsibility for the committee system at the company , his review of its work mechanism and ensuring its effectiveness :

I acknowledge that Mr. Humaid Mohammed Humaid AlYamahi the Chairman of Nomination and Remuneration Committee is responsible for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness .

B- Names of Nomination and Remuneration Committee members and clarifying their competence and tasks assigned to them :

Mr. Humaid Mohammed Humaid Al Yamahi, a board member, not executive and independent, committee chairman.

Mr. Saeed Mobarak Obaid ahmed Al Zahmi, a board member, not executive and non independent.

Mr. Mohamed Shareef Habib Mohamed Al Awadi, a board member, not executive and independent

Tasks of the Committee:

- 1 Ensuring the independence of the independent members continuously, and if the committee found that one of the members lost the requirements of independence capacity, it should submit the matter to the Board and the board should notify the member by a registered letter at his fixed address in the company with the justifications of the absence of the independence in him. The member should respond to the board within fifteen days from the date of notification. The board then should issue a decision to consider the member independent or independent in the first meeting following the member response or after the expiration of the period referred to in the preceding paragraph without reply, and if the member losing to this capacity would not result in violating the minimum number of the independent members inside the board, this shall be taken into account in the formation of committees, without prejudice to what is stipulated in the amended Companies Act.
If the board's decision on negating the reasons or justifications of independence can affect the minimum of the rate that must be met of the independent members within the board, the board shall appoint an independent member to replace this member, subject that his appointment matter shall be submitted to the first general meeting of the company to consider the approval of the board decision.
- 2 Developing a policy for granting bonuses, benefits, incentives and salaries to the members of the board and the employees of the company and reviewing them annually. The Committee must verify that bonuses and benefits granted to the senior executive management of the company are reasonable and fit to the performance of the company.
- 3 Identifying the company needs for the competencies at the executive senior management level and the employees, as well as the bases of choosing them.

- 4 Developing a policy for the human resources and training in the company and monitoring and reviewing their application.
- 5 Organizing and following -up the procedures of nomination for the membership of the board, in accordance with the applicable laws and regulations.

C- Number of meetings held by the audit committee during the year 2021 and their dates to discuss the matters related to financial statements and any other matters , and demonstrating the members personal attendance times in the held meetings :

Meetings of the Committee

Members	First Meeting on 17/03/2021	Number of Personal Attendance
Mr. Humaid Mohammed Humaid AlYamahi	✓	3
Mr. Saeed Mobarak Obaid Ahmed Al Zahmi	✓	3
Mr. Mohamed Shareef Habib Mohamed Al Awadi	✓	3

7- Supervision and Follow –up Committee of insiders transactions

A – Acknowledgment by the Committee Chairman or the authorized person of his responsibility for the committee system at the company , his review of its work mechanism and ensuring its effectiveness :

I acknowledge that Mr. Mohammed Sultan Abu Salem the Chairman of Supervision and Follow –up of insiders transactions Committee is responsible for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness .

B – Name of members of the Supervision and Follow –up Committee of insiders transactions and clarifying their competences and tasks assigned to them :

Mr. Mohammed Sultan Abu Salem	Manager of Internal Control and Compliance	chairman
Mr. Awadalla Ali Mohammed Khair	Board apporteur	Member

Tasks of the Committee:

- The protection of the company information not designated for publication.

- Not disclosing the information not designated for publishing to any person outside the company, including the family, friends or others inside the company, unless the disclosure is required for purposes related to the work interest.
- Monitoring the actions of the persons who accessed to main data of the company, which are taken either personally or by others, by dealing in securities of the company itself or of the parent, subsidiary, allied or sister company of this company.
- Monitoring the provision of any data or providing incorrect statements or information that can affect the market value of the securities and the investor decision.
- Not exploiting the internal information of the company in purchasing stocks or selling them in the market.

C- A summary of the committees work report during 2021 .

The committee has held one meeting on 24/5/2021.

8- Investment and finance risks Committee

A - The Investment and finance risks committee Chairman acknowledgment of his responsibility for the committee system at the company ,his review of its work mechanism and ensuring its effectiveness

I acknowledge that Mr. Saif Sultan Abdulla Ahmed Al Salami the Chairman of Investment and finance risk Committee is responsible for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness .

B- Committee composition:

Mr. Saif Sultan Abdulla Ahmed Al Salami	(chairman)
Mr. Antoine Maalouli	(member)
Mr. Saeed Mobarak Obaid Ahmed Al Zahmi	(member)
Mr. Mohamed Shareef Habib Mohamed Al Awadi	(member)

C- Duties and functions of the committee

- 1- To make sure that the company assets are various and distributed sufficiently and enable the company to respond effectively to the various economic conditions including the developments in the financial market and real estate markets.
- 2- To evaluate the unusual conditions of market based on the company assets through the diversification of assets in a way relives this effect.

- 3- To enable the company to maintain its assets to cover its technical provisions and other long term insurance liabilities, or property liabilities and responsibilities.
 - 4- To conduct the suitable revision to evaluate the Credit worthiness for the stakeholder parties in which the company is facing great amount of transactions thereof.
 - 5- To develop a policy and a frame work for efforts examination regarding all its investments, including the regular effort for a group of market scenarios and investment, operation and socio-economic changes.
- D- The committee has held one meeting on 14/6/2021 in the presence of all of its members.

9- The internal Control System

A – Acknowledgment by Board of its responsibility for the committee system ,review of its work mechanism and ensuring its effectiveness :

The BOD declares its responsibility for the internal control in the company and its revision and efficiency.

The work mechanism:-

- The management will meet with the audit committee annually to decide on the management work plan.
- Revising the implementation of annual audit plan.
- Revising and evaluating the risk audit and the difficulties facing the company.
- Reviewing the efficiency of revision processes and audit mechanisms and applicable programs in audit processes.

B,C The managing director and compliance officer name:

Name: Mohamed Sultan Abu Salem

Academic qualification: B.A of Accounting , appionted at 12/7/2015 .

Scientific experience: 16 years in the internal control on the insurance companies.

*-The number of reports issued by the administration to the BOD during the year 2021 is 3 reports.

D- How the internal control dealt with any major problems at the company or those that were disclosed in the annual reports and accounts .

The company faced No major problems during the year ended in 31/12/2021.

10- The violations committed in the fiscal year 2021

No financial violations committed during the year 2021

11- The company financial contributions during 2021 in the community development and environment reservation.

The company is complied with the following obligation that is a duty must be fulfilled and maintained towards the community:

- 1- To comply with all laws regulations and systems legalized for the environment reservation.
- 2- To contribute in the events that regulate the environment reservation.
- 3- To contribute in any event organized for this purpose.
- 4- The company contributes and serves the community in all socio-economic and cultural events organized by the government and non-government authorities.
- 5- The company provides training for the national cadres to qualify them; therefore it employs some of them according to the company annual plan.
- 6- The company contributed and supported some events organized as follows:

The Events	Contribution Value
RASHED CENTER FOR PEOPLE OF DETERMINATION	10,000
AL SALAM CENTER FOR REHABILITATION P.O	5,000
AL HADAF CENTER FOR TRAINING AND REHABILITATION	10,000
WEST ASIA PARALYMBIC FEDERATION	3,000
HOPE GATE CENTER FOR AUTISM FOR SPONSORING	9,600
AL TAREQ REHABILITATION & AUTISMUS CENTER	15,000
UMMRA TRIP FOR KHORFAKKAN CLUB FOR DISABLED	7,500
UAE RED CRESCENT	10,000
EMIRATES ASSOCIATION OF THE VISUALLY IMPAIRED	8,000
MINISTRY OF HEALTH – COVID 19	12,200
TOTAL AED	90,320

12- General Information

A-B- Statement of the Company share price in the Market (closing price, highest price, lowest price) in the end of each month during year 2021.

Price of the share on 31/12/2021 amounted to AED 224.

C- Statement of shareholding distribution as of 31/12/2021:

SN	Shareholder Classification	The Owned Shares Percentage %			
		Individuals	Companies	Government	Total
1	Local	3.12	16.81	80.07	100
2	Arabic				
3	Foreign				
	Total	3.12	16.81	80.07	100

D- Statement of the shareholders owning 5% or more of the Company's capital as on 31/12/2021 according to the following :

Stockholder	Number of the Owned Stocks	Rate of the Owned stocks of the company capital
M/S. Department of Industry and Economy- Fujairah government	1,065,686	80.07
Fujairah Investment Company	223,760	16.81

E- Statement of how shareholders are distributed to the volume of property as on 31/12/2021 according to the folloeing :

Share (s) ownership	Number of shareholders	Number of owned shares	Percentage of owned shares of the capital
Less than 50,000	13	41,554	3.12
From 50,000 to less than 500,000	1	223,760	16.81
From 500,000 to less than 5,000,000	1	1,065,686	80.07
More than 5,000,000	0		

F-Statement of measures taken regarding the controls of investor relationships and an indication of the following :

The page of investors relations at the website is under update, including the data and contact ways in investors relation department, providing all reports related to the progressive financial results, the minutes of the general meeting, the statements related to the company disclosures, ownership rates, stockholders profits and any other events related to the investors affairs.

- The name and contact information of the Investors' Relations Manager

Iyad Fayez Abasy

Mobile No :0526411065

- The link of the Investor Relations webpage on the website of the Company.

https://afnic.ae/en/Investor_Relations_home

G The special resolutions presented to the General Assembly held in 2021 .

Amending Article No 5 of the Article of Association to align it with the text of Article No 6 of the Insurance Authority Board of Directors Decision No 23 of 2019 regarding the instructions for organizing reinsurance business .

H- The name of Board secretary : Awadalla Ali Mohamed Khair

Date of appointment: 01/09/2009

- His qualification and experiences: Bachelor of law 35 years experiences

- His duties during the year

- Arranging for holding BOD meeting .
- Sending invitations to members of directors .
- Writing the BOD minutes and keeping in digitally .
- Arranging for holding the General Assembly meeting.
- Arranging yearly corporate governance reports.
- Arranging and following the annual and quarterly disclosures.

-The major events and important disclosure that the company encountered during 2021

There are no substantial events faced by the company during the year 2021.

-The Emiratization percentage in the Company at the end of 2021

The Emiratization percentage :

2019 15 %

2020 15.8 %

2021 17 %

K-The innovative projects and initiatives carried out by the Company or being developed during 2021.

- Developing the automatic insurance devices and using new devices which are more sophisticated to meet the requirements of the quality and operational efficiency.
- Putting questionnaire devices for the customer satisfaction.
- Updating the website of the company to provide sufficient information to the company customers and investors.
- Developing the educational culture by ensuring projects of training and developing the employees skills and using distance education means.

Signature of Audit Committee
Chairman

Signature of Nomination & Remuneration
Chairman

Signature of Internal Control dept
Chairman

Signature of the Board Chairman

Date : 24/2/2022





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ABOUT THIS REPORT

We are pleased to present our sustainability report that presents Al Fujairah National Insurance Company's (AFNIC) environmental, social, and economic performance over the period from January to December 2021. The report also documents AFNIC's future commitments and objectives to integrate Environmental, Social and Governance (ESG) best practices across its operations.

Through this report we demonstrate our commitment towards ADX initiative to drive sustainability in alignment with UAE National Vision 2021, Abu Dhabi Economic Vision 2030 and national & global efforts on adopting Sustainable Development Goals (SDG) through all the activities in insurance value chain.

This report has been prepared in accordance with the GRI Standards: core option. It also underscores AFNIC's commitment to transparency and international best reporting practices. We report on the topics that are most material to our business and stakeholder groups. It has successfully completed the GRI's Materiality Disclosure Service.

The detailed report of board of directors, financial statement and corporate governance report are disclosed separately on ADX and are available in the investor section of our company website <https://afnic.ae/en/>

AFNIC welcomes any feedback or inquiries related to this report on any of the following channels:

☎ +971 9 223 3355 📠 +971 9 222 4344 ✉ icd@fujinsco.ae



A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

In this report, I am proud to present you with our efforts to achieve a sustainable business model, which has been the focal point of our success and growth. Our operations are aligned with the company's sustainability strategy to ensure creating shared value for all our stakeholders and achieving financial and operational profitability.

At AFNIC, we have been operating in the UAE since 1977 with success thanks to our progressively diversified operations. Our operations are aligned with the company's sustainability strategy to ensure creating shared value for all our stakeholders and achieving financial and operational profitability.

We monitor our sustainability performance in an effective way through the activities we conduct under the guidance of our Board of Directors. Our sustainability objectives are in line with the United Nations Sustainable Development Goals 2030 and UAE Vision 2021.

That will not change going forward – we will continue to secure the future of our customers and society sustainably.

In 2021, we made significant efforts to conduct business responsibly, achieve sustainable growth and maximize value for our stakeholders and our communities. We developed a sustainability framework to ensure that our operations are performed in a responsible manner. We continued to improve our recruitment processes and talent management to ensure that we always employ and retain the best talent to lead the company forward, while adhering to the principles of integrity, transparency and accountability.

Why do we consider this non-financial report so important? Because we believe that the more our efforts are recognized and the more transparent we are about our plans, the greater the chances of others being encouraged to consider adopting sustainable strategies.

Further, we believe that presenting such sustainability report will serve as catalyst for self-assessment and continued improvement in our sustainability journey.

Finally, I would like to express my gratitude to all our shareholders, customers, and employees for their loyalty and the trust they have placed in us. We will continue to grow our business and comply with the best governance practices and operate responsibly.

Sincerely Yours,

Antoine Maalouli

CEO – Al Fujairah National Co. PJSC



For over four decades now, Al Fujairah National Insurance Co (AFNIC) is the only insurer in the United Arab Emirates that has its headquarters in Fujairah, situated in the Eastern part of the country. AFNIC serves a multitude of clients across a wide-spectrum of industries throughout the UAE.

Established in 1976, under the patronage of the Ruler of Fujairah, AFNIC is a Public Joint Stock Company, registered under the Federal Company Law, and Federal Insurance Law with the Government of Fujairah as the major Shareholders (with over 80% share).

AFNIC has a wide network of full-fledged branch offices spread throughout the UAE. It has an active presence in Abu Dhabi, Dubai, Sharjah, Dibba and Fujairah, offering all their services under one roof for the convenience of customers. Customers can also avail of AFNIC's products from the Insurance ATMs (a revolutionary concept – first-of-its-kind in the world), which is available at various Petrol Stations in Dubai.

The company underwrites all classes of Property and Casualty insurances, including Motor Vehicles and Marine Vessels, to Jet Aircrafts, Port Operators' Liability, Group Life, Medical, and much more.

AFNIC is supported by a panel of strong Reinsurance securities, and is backed with expertise of over 35 years.

'Leading Rating Agency Moody's has assigned Baa1 Rating (with stable outlook) to AFNIC, which endorses our strong position.'





MISSION

To provide services beyond expectations, with a will to go an extra mile. In the process, continue to upgrade technology, human resources and value added protection with creating outstanding value by maximizing returns.



VISION

To continue our journey to be better than the best.





2021 KEY HIGHLIGHTS

PARTICULAR	2020	2021	CHANGE/ GROWTH
Net Profit (AED 'M)	36.9	18.7	(49%)
Net Technical Profit (AED 'M)	52	16.96	(67%)
Non-motor Gross Premium (AED 'M)	111.3	120.2	8%
Investment Profit (AED 'M)	3	17.2	473%
EPS (AED)	27.75	14.04	(49%)
Total Premium Revenue (AED 'M)	268	242	(10%)
Total % of females in workforce	33%	40%	7%
Total local investments (AED)	157,000	260,100	66%
Total Hours of Training Provided to Employees	2,080	3,978	91%

Proud Insurers of AED 3.45 Billion Dubai TRAM project in Dubai, in addition to various other Landmark projects and properties in various parts of Dubai as well as in Fujairah.

Awarded The Excellence Award in Tolerance by the U.A.E. Insurance Authority, in recognition of our level of acceptance and high moral values

Awarded The Outstanding Company in Social Responsibility Award from the U.A.E. Insurance Authority for our continuous efforts in supporting our society.





KEY EVENTS AND CONTRIBUTIONS

2019	2020	2021
Donated Wheel Chairs to Specialist Center for children with Disabilities and Rashid Center for Disabled	Support the Ministry of Health – Donation as COVID-19 support	Al Tareq Rehabilitation and Autism Centre – Donation for care of People of Determination
Al Hadaf Center for Training and rehabilitation	West Asia Paralympic Federation – Donation for purchase of wheelchairs.	West Asia Paralympic Federation – Donation for sports for physically challenged
Donation for UAE Scout Pioneers Committee	Emirates Red Crescent: Lebanon – Relief Support	Rashid Center for People with determination
Donation to UAE Red Crescent	Al Tareq Rehabilitation and Autism Centre – Donation for care of People of Determination	Donations for disabled at the Khorfakkan Club
Rising Sun Center for Academic Support	Rashid Center for People with determination	Donations to the Specialist Center for children with disabilities
Emirates Red Crescent Orphans Initiative - Sponsored families with children and orphans for their necessities.	Specialist center for children with disabilities	Donation to Emirates Association of the Visually Impaired
Emirates Red Crescent Donations to Impoverished Families – Necessities were provided for families facing financial difficulties	The Emirates Society for parents care & relief	Donations to Emirates Red Crescent
		Donations to Hope Gate center for Autism

SUSTAINABILITY AT AFNIC

Implementing a sustainable approach is a fundamental commitment that will continue to be embedded in AFNIC, its strategies and daily operations. AFNIC are committed to having an important role in supporting our communities, the United Nations Sustainable Development Goals 2030 and UAE Vision 2021.





OUR APPROACH TO SUSTAINABILITY

We aim to integrate ESG factors into our insurance and investment businesses. AFNIC's sustainability approach is guided by key pillars of sustainability like Corporate Integrity, Amplifying Economic Impacts, Operating Responsibly, having a Strong Workforce, maintaining and developing Valuable Relationships, and Supporting our Communities. We continuously strive to adopt programs and initiatives in line with the objectives earmarked under each pillar.

STAKEHOLDER ENGAGEMENT

Through several communication channels, AFNIC listens to, and obtains feedback from, various stakeholders that affect or are affected by our business. Their involvement directs our sustainability approach and the material issues we focus on, for action and improvement. Therefore, we aim to seek feedback by actively engaging our stakeholders to identify material issues and to address potential sustainability risks and opportunities. Our key stakeholder groups are shown in the figure below.



STAKEHOLDER ENGAGEMENT (STAKEHOLDER MAP)

KEY STAKEHOLDER GROUPS	NEEDS AND EXPECTATIONS	METHODS OF ENGAGEMENT
Customers	Innovation in products / services. Efficient and proactive customer service. Various communication channels.	Social media channels such as Twitter, Facebook, Instagram, LinkedIn, YouTube, WhatsApp 800 AFNIC (23642), Official Website. Customer service Offices, 24/7 Call Center 800 AFNIC (23642)
Shareholders and Investors	Strong balance sheet and stable cash flows. Consistent dividend paying. Enhance shareholder value by increasing capital gains. Pre-defined risk profile. Well-grounded corporate governance framework.	Annual Report. Annual Corporate Governance Report. Annual general assembly meetings. Investor relations section on official website.
Workforce	Training and development opportunities. Timely payment of wages. Accommodation and benefits. Safe and healthy workplace. Empowerment and pay equality.	Regular Training and development Programs, Monthly meetings, Intranet (Employee portal), Employees Satisfaction Survey, Open door policy, Employees Suggestions Policy.
Suppliers and Business Partners	Timely payments. Fair and respectful treatment. Integration of sustainability criteria into business processes across AFNIC operations.	Working Practices policy. Trainings & Workshops, Events, Personal contacts
Local Communities	Charitable initiatives to help lesser privileged communities. Social initiatives and programs to promote health, education, security, sports and culture. Partnerships with other organization to address social and environmental issues.	Health and education campaigns, Participation and volunteering of employees, Donations to charitable causes, Sponsorships and internships to help young people.
Regulatory Authorities	Alignment to national strategies and visions (UAE Vision 2021). Compliance with legal and regulatory requirements. Protecting customers. Transparency and disclosure.	Internal control system, Compliance Unit, External Audit, Committee of Insiders Transactions
Industry	Growth and Opportunities for the Industry. Managed Risks.	Networking Events and Conferences, Collaborations, Personal Contacts

MATERIALITY ANALYSIS

Identify: We have identified material issues that can have a significant impact on the business if they are not managed properly. These issues were identified through desk research by reviewing industry standards, peer companies and internal discussions.

Prioritize: We prioritized both internal and external stakeholders' material issues and prioritized them in terms of their perceived importance from the perspectives of both the business and stakeholders.

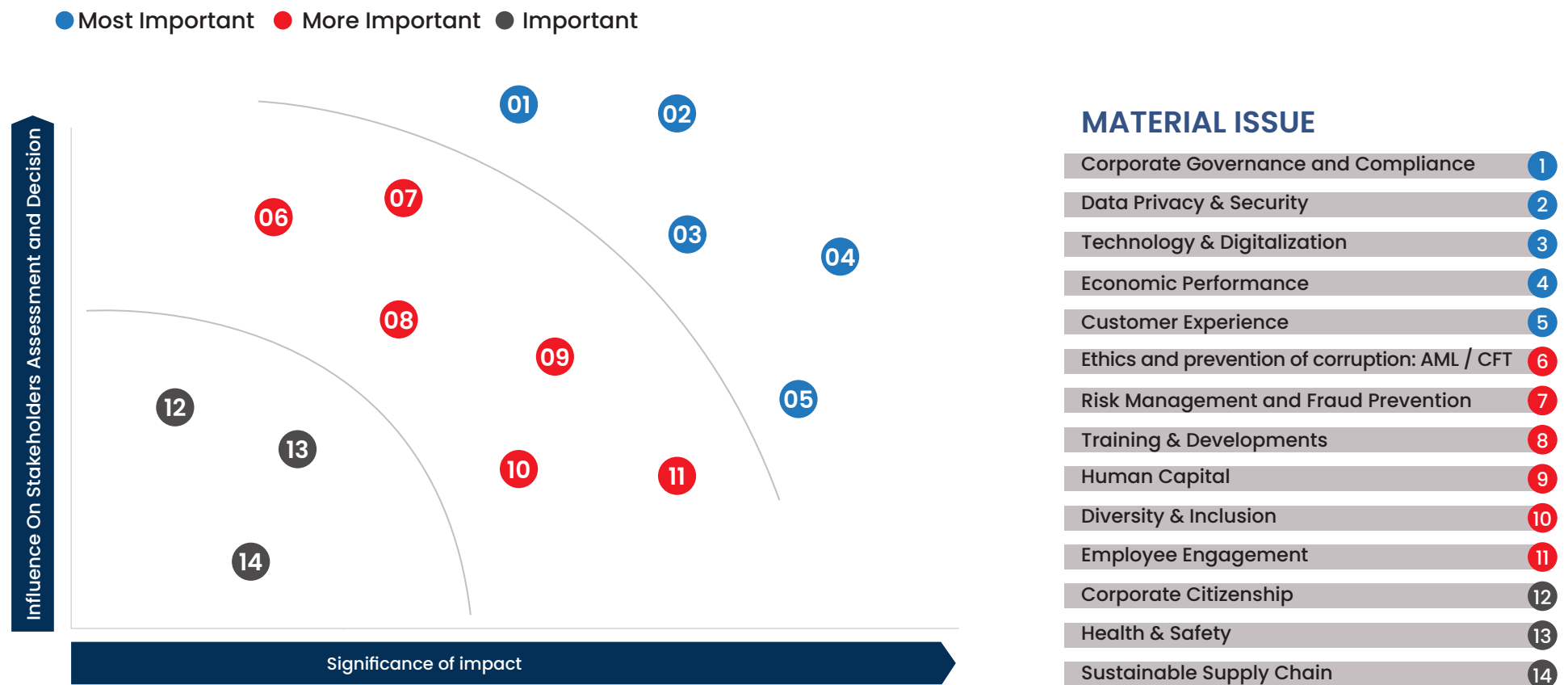
Review: The results were reviewed internally by AFNIC Sustainability report project manager and AFNIC management to ensure that the list of material issues was complete and inclusive of all stakeholders' perspectives.

01	Corporate Governance and Compliance			Training & Development	08
02	Data Privacy & Security			Human Capital	09
03	Technology & Digitalization			Diversity & Inclusion	10
04	Economic Performance			Employee Engagement	11
05	Customer Experience			Corporate Citizenship	12
06	Ethics and prevention of corruption			Health & Safety	13
07	Risk Management and Fraud Prevention			Sustainable Supply Chain	14

MATERIALITY MATRIX

We have ranked the material issues we identified from the materiality assessment in the matrix below.

This matrix reflects our understanding of the significance of each material issue based on the influence of stakeholders and the impact on our business.



SUSTAINABILITY FRAMEWORK

AFNIC's sustainability framework summarizes what sustainability means for us by identifying the key areas that need to be addressed and balanced. Sustainability at AFNIC means being **A Company with Integrity, Amplifying Economic Impacts, Operating Responsibly**, having a **Strong Workforce**, maintaining and developing **Valuable Relationships**, and **Supporting our Communities**.





ALIGNMENT TO SUSTAINABLE DEVELOPMENT GOALS

We align our sustainability efforts to national and international priorities such as the UAE Vision 2021 and the United Nations Sustainable Development Goals (UN SDG).

We have aligned our sustainability plans and efforts to support ambitious goals such as tackling climate change and limiting environmental footprint, building sustainable relationship with our stakeholders, fostering safe and empowered workplace and integrating ESG issues into our business strategy which helps us operate in a way that contributes positively to the industry, economy and our communities.

SUSTAINABLE DEVELOPMENT GOALS



UAE VISION 2021





GOVERNANCE, ECONOMIC AND FINANCIAL PERFORMANCE



MATERIAL ISSUES COVERED:

-  **Corporate Governance and Compliance**
-  **Ethics and Prevention of Corruption:
AML & CFT**

SUSTAINABLE DEVELOPMENT GOALS:

-  **Peace, Justice and Strong Institutions**
-  **Responsible Consumption and
Production**

UAE VISION 2021 PILLARS:

-  **Competitive Knowledge Economy**
-  **Safe Public and Fair Judiciary**

CORPORATE GOVERNANCE AND COMPLIANCE

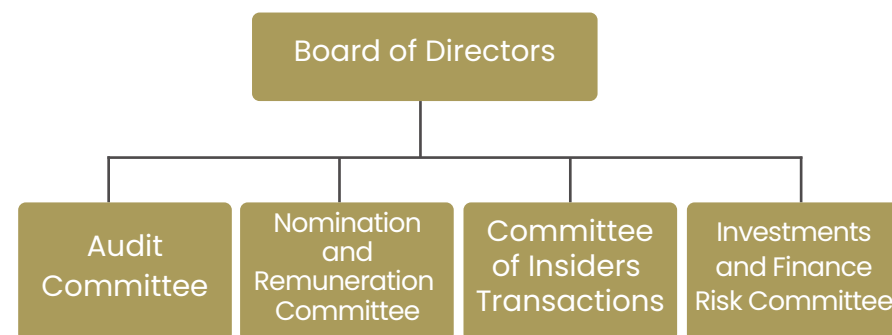
AFNIC conducts its business with the utmost transparency, accountability and integrity. We aim to maintain the highest standards of corporate governance, and work continuously to eliminate any form of bribery, corruption, financial crime, while protecting human rights. AFNIC demonstrates its responsibilities towards different stakeholders through its commitment to develop and enhance the company's transparency, and to raise the level of accountability across AFNIC's operations.

AFNIC operates through several transparency platforms such as the ADX disclosure website, and the www.afnic.ae website which articulates the company's information and disclosures as well as the Governance Report. AFNIC's governance Report serves as the most important platform for transparency and brings governance to the attention of the public and enables shareholders to get acquainted with the company. To ensure compliance and maintain the highest standards of governance, AFNIC's Board of Directors is governed by Corporate Governance Law and the company's Articles of Association.

The board is composed of 8 non-executive directors, including the Chairman, whereas, 7 of them are independent directors. During 2021, 6 board meetings were held with an attendance rate of 100% in 5 of them. The board members conduct an individual self evaluation to identify areas in which they believe could add more value to their roles and responsibilities. Although there are currently no seats occupied by females on the Board of Directors for AFNIC, it is both encouraged and expected that female candidates will also apply for future board nominations.

BOARD OF DIRECTORS			
	2019	2020	2021
Percentage of Board seats occupied by independent directors	87.50%	87.50%	87.50%
Executive members of the Board of Directors	0	0	0
Non-executive members of the Board of Directors	8	8	8
Male members of the Board of Directors	8	8	8
Independent members of the Board of Directors	7	7	7
Non-independent members of the Board of Directors	1	1	1

The remuneration of Board members is a lump sum amount submitted to the General Assembly approval annually, which amounted to AED 1,350,000 in 2021



AUDIT COMMITTEE

The Audit Committee consists of five non-executive members. Four of them are Independent Board Members with the exception of one non-independent and one non-board member. The committee held four meetings during the year 2021.

The major Audit Committee duties include:

- Monitoring the integrity of the company financial statements and reports, and reviewing them.
- Complying with the laws of inclusion, disclosure and other legal requirements.
- Coordination with the board, Executive Management and Chief Financial Officer in order to perform its functions.
- Reviewing the financial control systems, internal control and risk management in the company.
- Considering the results of the main investigations in the internal control issues assigned to it by the Board or which are conducted with an initiative of the committee and by the approval of the Board.
- Ensuring the coordination between the internal auditor and the external auditor, ensuring the availability of resources necessary for the internal audit team and reviewing the effectiveness of such team.
- Reviewing the financial and accounting policies and procedures of the company.
- Reviewing the mission and work plan of the External Auditor and any substantial inquiries posed by the auditor to the management regarding the accounting registers, financial accounts or control systems and its refusal and approval to them.
- Monitoring the company compliance with the ethical code.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration committee has three members, all non-executive members of the Board, with one of them being a non-independent member.

The main duties of the committee are:

- Ensuring the independence of the independent members continuously.
- Developing a policy for granting bonuses, benefits, incentives and salaries to the members of the board and the employees of the company and reviewing them annually.
- Identifying the company needs for the competencies at the executive senior management level and the employees, as well as the bases of choosing them.
- Developing a policy for the human resources and training in the company

SUPERVISION AND FOLLOW-UP COMMITTEE OF INSIDERS TRANSACTIONS

The committee has two members and conducted one meeting in 2021.

The main duties of the committee include:

- The protection of the company information not designated for publication.
- Not disclosing the information not designated for publishing to any person outside the company.
- Monitoring the actions of the persons who have access to the main data of the company.
- Monitoring the provision of any data or providing incorrect statements or information that can affect the market value of the securities and the investor decision.

INVESTMENT AND FINANCE RISK COMMITTEE

The committee consists of four members including the Chief Executive Officer. The committee Held one meeting in 2021 .

The main duties of the committee are:

- To make sure that the company assets are various and distributed sufficiently and enable the company to respond effectively to the various economic conditions including the developments in the financial market and real estate markets.
- To evaluate the unusual conditions of market.
- To enable the company to maintain its assets to cover its technical provisions and other long term insurance liabilities.
- To conduct the suitable revision to evaluate the Credit worthiness for the stakeholder parties in which the company is facing great amount of transactions thereof.
- To develop a policy and a frame work for efforts examination regarding all its investments, including the regular effort for a group of market scenarios and investment, operation and soci-economic changes.

Conducting business with integrity and honesty are indispensable values to AFNIC. AFNIC maintains the highest standards of business ethics and has strong anti-corruption policies. AFNIC has developed and adheres to many policies, including compliance with laws, conflict of interest, anti-bribery, confidentiality of information, and anti-money laundering. AFNIC upholds the highest standards of human rights. We examine the possible impact of our business on human rights and strive to create a positive influence by eliminating risks. We do not accept any kind of child labor and forced labor, and respect basic human rights in our operations with suppliers and contractors.



COMPLIANCE



ETHICS AND PREVENTION OF CORRUPTION: AML & CFT

Techniques to launder money and finance terrorism have been evolving rapidly in recent years. The international community has witnessed the use of increasingly sophisticated methods to move illicit funds through financial systems across the globe and has acknowledged the need for improved multilateral cooperation to fight these criminal activities.

AFNIC and its branch offices are firmly committed to participate in international and national efforts to combat money laundering and the funding of terrorist activities and is committed to the highest standards of Anti Money Laundering & Combating Financing of Terrorism. AFNIC requires all its employees including senior management, to adhere to all regulations and standards to prevent use of its services and products for money laundering purposes and to safeguard the interest of its customers.

In pursuance of the above objectives, AFNIC fully complies with all government decisions and directives.

AFNIC assesses the risk of money laundering and financing terrorist groups at both individual and corporate level, which includes several factors and indicators, before contracting with any new client and following the same procedure with existing clients.

AFNIC has developed and adopted policies and procedures related to AML and CFT to effectively implement the key principles of AML/CFT laws and regulations, in line with the Central Bank of UAE, by educating its employees to act as the first line of defense in combating money laundering activities.

The aim of the policy is to document overall AML-CFT Compliance framework, staff responsibilities and reporting needed to maintain an effective AML-CFT program.



We have also implemented a risk-based Anti-Money Laundering ("AML") Compliance Program ("AML Program") designed to comply with AML laws and regulations in the UAE and other applicable laws and regulations relating to the prevention of money laundering and terrorist financing. The AML Program consists of, among other things:

- Money Laundering Reporting Officer who is responsible for coordinating and monitoring day to day compliance with the AML Program for their entire business – Head Office as well as branches.
- AML risk assessments at customer, product, Industry, Jurisdiction & service level.
- A system of internal controls designed to facilitate ongoing compliance with applicable AML laws and regulations.
- Know-Your-Customer standards including a Customer Identification Program and Customer Due Diligence procedures reasonably designed to identify and verify all customers and, where applicable, beneficial owners, source of funds and the nature and intended purpose of the business relationship, to the extent warranted by the risk of money laundering or terrorist financing or as required by regulation;
- Performance of additional due diligence on higher risk customers, including Legal arrangements & NPOs and those who are assessed to be politically exposed persons.
- Identification and reporting of suspicious activity to appropriate regulatory authorities in accordance with applicable laws.
- AML training for appropriate Staff.
- Independent audit and compliance testing functions to review and assess the Firm for compliance with the AML Program and applicable laws.
- Record keeping and reporting requirements, including those for cash transactions and records obtained pursuant to the Customer Identification Program, which are maintained for at least 5 years after the termination of a customer relationship.
- All the principles of KYC, CDD, EDD and other enhanced tools including screening and transaction monitoring of customers' transactions to ensure a robust process of Compliance is followed within the organization.

MATERIAL ISSUES COVERED:



SUSTAINABLE DEVELOPMENT GOALS:



UAE VISION 2021 PILLARS:



ECONOMIC PERFORMANCE

AFNIC is a valuable contributor to UAE's economy and aims the overall attainment of the UAE Vision 2021. We aim to achieve continual, stable financial growth and gains by maintaining low costs and high operating efficiency, while ensuring adequate capital reserves to absorb losses, continue operations, and meet obligations in the event of adverse operating and market conditions.

AFNIC also integrates technology to ensure efficiency of our operations and attain rapid growth.

For the year end 2021, despite the adverse market situation due to the COVID-19, AFNIC managed to deliver strong financial performance and maintain high credit rating. Our total revenues reached over AED 242 million. The Company achieved Net Technical profit of AED 16.96 million in 2021 as compared to AED 52 million for the previous year and our net profits attributable to shareholders were over AED 18.7million.

This reflects steady and healthy financial outlook of the Company.

ECONOMIC PERFORMANCE			
	2019	2020	2021
Revenue (AED '000)	273,010	268,070	242,013
Operating Costs (AED '000)	237,483	216,017	225,051
Operating Profits (AED '000)	35,527	52,052	16,961
Net profits attributable to shareholders (AED '000s)	31,214	36,932	18,685
Earnings per Share (AED)	28.38	27.75	14.04

OUR PEOPLE



**MATERIAL
ISSUES
COVERED:**



UAE VISION 2021 PILLARS:



SUSTAINABLE DEVELOPMENT GOALS:





At AFNIC, we believe that our employees are one of the most valuable assets and a key facilitator to our success. Thus, we always seek to maintain a workplace that promotes diversity and inclusion and recognizes employees for good performance. AFNIC commits to build an exceptional workforce through attracting, developing, and retaining talented individuals, while increasing the rate of national employees in the workforce.

Human capital is perceived to have a relationship with economic growth, productivity, and profitability.

AFNIC recognizes the quality of Human Capital can be improved by investing in employees' training and education. The education, experience, skills, knowledge and abilities of employees have economic value for us and for the economy as a whole, thus making human capital critical to our success.

We provide our employees with training to enhance their skills, as well as a safe, healthy and inclusive work environment. AFNIC has various Human Resources policies and procedures in place, including a Code of Conduct and Ethics, Training & Development and Career development.

In 2021, the total workforce for AFNIC was 226 employees, with 27% of this workforce between 20 and 30 years of age.

On the other hand, 29 new employees were hired in AFNIC during 2021. Over 27% of the new hires were between 20 and 30 years of age. New employees are provided with various orientation programs related to the implemented HR policies and health and safety measures. New employees are also provided with access to Employee portal on AFNIC intranet, which contains all relevant policies and procedures, to facilitate them get more familiar with the company.

AFNIC, have a maternity leave policy in place. A female staff member with at least one year of continuous service is eligible for 45 calendar days' maternity leave with full pay, while females with less than one year of continuous service are eligible to 45 calendar days with half pay.



AFNIC also puts special emphasis on hiring Emirati employees and offered full support for them during COVID-19 with no local employees terminated during 2021. Moreover, AFNIC is proudly registered with the “Wajehni” program by the Ministry of Human Resources and Emiratization, which provides Emirati students from colleges and universities with private sector internship and summer training opportunities. All Emirati employees are well guided, supported and supervised by AFNIC’s Emiratization Officer.

WORKFORCE OVERVIEW			
	2019	2020	2021
Total Workforce	220	221	226
Full-time employees	220	221	226
Part-time employees	0	0	0
Senior Management Employees	29	26	26
Middle Management Employees	29	31	36
Non-Management Employees	161	164	164
Trainees and Sponsored Students	4	2	3

NEW HIRES WITH AGE AND GENDER PROFILE			
	2019	2020	2021
Total new employee hires	28	26	29
Age 20-30	11	11	8
Age 31-50	17	15	20
Age 51+	0	0	1
Male	13	16	17
Female	15	10	12
Employee Turnover (%)	5.34%	10.2%	11.8%

AFNIC places a significant effort to focus on the development and growth of our workforce. We are committed to enhance the competences and knowledge of our employees by offering them various training and development programs which are recognized as necessary for performing their current role and are in line with business requirements. These include specialized training courses as well as skill-based training courses.

We also have many recognition and motivational programs to enhance employees' skills and development of their knowledge and conduct annual appraisals to evaluate the employees' skills and abilities.

Additionally, we provide employees with a career development program that is in line to their current and future job requirements, as well as customized to meet their career goals.

Following the identification of training needs, the HR & Admin Department develops an annual training plan with inputs from the Department Managers, who are also responsible to support employees in identifying specific development needs and prioritizing them. The HR & Admin Department then recommends training and development budgets, sources appropriate training and development providers and organizes training and development programs.

In 2021, AFNIC employees received a total of 3,978 hours of training with an average of 18 hours of training per employee.

TRAINING AND DEVELOPMENT			
	2019	2020	2021
Total training hours delivered (hours)	1264	2080	3978
Average training per employee (hours)	6	9	18

In 2021, a total of 1,120 attendees participated in 225 training sessions, which exceeds our total workforce, as each employee attended multiple courses.

SUMMARY OF TRAINING AND DEVELOPMENT COURSES DURING THE YEAR 2021			
COURSE / TRAINING NAME	NO. OF TRAININGS	NO. OF ATTENDEES	DURATION (HOURS)
Technical Trainings relevant to Insurance Industry	55	208	1114
Skills and Professional Development Trainings	63	143	928
Other Technical Trainings	81	436	1565
Internal Company Trainings	17	204	225
Anti-Money Laundering & Related Trainings	9	129	146
TOTAL	225	1120	3978

EMPLOYEE ENGAGEMENT

We believe that engaging with our employees is fundamental to the growth and success of our company. Therefore, we have various processes and practices to ensure persistent engagement of our employees. Such practices include employee recognition awards, employee engagement surveys and annual performance reviews.

Employees are encouraged to contribute to the Company's future success and growth by engaging and submitting suggestions that result in business improvements through:

- Solving a problem
- Reducing costs
- Introducing innovative ideas on products and services
- Improving operations or operating procedures
- Enhancing customer service levels
- Improving health and safety standards
- Reducing waste of office supplies or other resources

All suggestions are reviewed by the management and appropriate suggestions are submitted to the CEO for approval and are linked to the Employee Recognition policy.

AFNIC encourages a performance based culture by recognizing and rewarding good performance. Therefore, a performance review process is conducted annually, to identify employee strengths, worries, and areas of development. This performance review is a two-way process in which the Manager and the employee contribute jointly to the performance discussion and the evaluation results are then used to determine performance bonuses or increments.



During 2021, all AFNIC employees received performance reviews, covering employees from all departments and sections of the organization.

PERFORMANCE REVIEWS			
	2019	2020	2021
Number of employees who received a performance and career development review	220	221	226
Percentage of employees who received a performance and career development review	100%	100%	100%

DIVERSITY AND INCLUSION

AFNIC recognizes the importance of embracing diversity and inclusion among our workforce. We constantly seek to build a workforce of various backgrounds and perspectives and consider candidates for employment regardless of gender, age, religion or disability. We truly believe in promoting women's participation in all levels of the business. In 2021, females comprised 40% of the reported total workforce and held 44% and 19% of middle management and senior management positions respectively.

At AFNIC, we encourage open communication and offer our people various feedback and input channels. For example, we have a whistle-blowing policy and a grievance mechanism that allows employees to speak up and raise their concerns.

WORKFORCE BY AGE AND GENDER

	2019	2020	2021
Employees age 20-30	29%	27%	27%
Employees age 31-50	58%	61%	61%
Employees age 51+	13%	12%	12%
Male employees	69%	67%	60%
Female employees	31%	33%	40%
Female employees in middle management	30%	38%	44%
Female employees in senior management	17%	19%	19%



Improving the health and safety of our employees remains a high priority for us at AFNIC. Accordingly, we have implemented a set of standards to ensure the health and safety of employees. Our commitment to ensuring the health and safety of our workforce is aligned with the United Nations Sustainable Development Goal 3.

We have Health and Safety policies and procedures to help assure the safety of our offices and facilities. Furthermore, we organize awareness campaigns and provide secure working environments.

For managing health and safety standards, employees are expected to obey safety rules, exercise caution and take all reasonable steps to protect their own safety, as well as the safety of colleagues, customers and visitors. Employees are encouraged to raise any ideas, concerns or suggestions for improving health and safety standards with the relevant department.

Occupational injury and evacuation policies and procedures are also in place to manage safety risks and to compensate, in the unfortunate event of any accident / injury, in accordance with the UAE labor laws.

Moreover, emergency measures are also in place such as first aid kits and trained first aid respondents in each location as well as measures related to emergency closure of workspace due to fire, earthquake, power failure etc.

One of the biggest challenges of 2021 was the coronavirus (COVID-19), which affected societies and economies around the globe. Ever since the outbreak of the virus, AFNIC's management started to plan and implement COVID-19 preventative actions to protect AFNIC employees and the community at large, and also ensure business continuity.

Some of the measures taken by AFNIC against COVID-19 are:

- ✔ Modified / adjusted seats, furniture, and workstations to maintain social distancing of 6 feet between employees, where possible.
- ✔ Encourage employees who have symptoms of COVID-19 or who have a sick family member at home with COVID-19 to notify their supervisor and stay home.
- ✔ Regular in-person health checks (e.g., symptoms and/or temperature screening) of employees.
- ✔ Increased the frequency of routine deep cleanings, with a focus on high-touch surfaces in the workplace, such as workstations, keyboards, telephones, handrails, and doorknobs to reduce the risk of people's exposure to the virus that causes COVID-19.
- ✔ Conducted full Sanitizing treatment to all AFNIC locations.
- ✔ Educate Employees and Supervisors about Steps They Can Take to Protect Themselves at Work.
- ✔ COVID-19 tests for all AFNIC Employees.
- ✔ Adopted work from home strategy.
- ✔ Provide all branches & departments with Sanitizers, Masks and Gloves.
- ✔ Provide Hygiene kits to customers and employees.
- ✔ Arranged for vaccination with the health department for all AFNIC employees.
- ✔ Developed special considerations for elevators such as using floor markings in elevator lobbies to maintain social distancing and limiting the number of people at any time.

Ensuring a healthy and safe work environment will always remain a priority at AFNIC





CORPORATE

SOCIAL

RESPONSIBILITY



**SUSTAINABLE
DEVELOPMENT GOALS:**



No poverty

**Quality
Education**



Zero Hunger

**Sustainable Cities
and Communities**



UAE VISION 2021 PILLARS:



**Cohesive Society and
Preserved Identity**

MATERIAL ISSUES COVERED:



Corporate Citizenship

AFNIC is dedicated to supporting the prosperity of the communities where we operate by investing in initiatives aimed at enhancing people's well-being. At AFNIC, we believe that it is our responsibility and obligation to support communities and people who are facing various challenges including social, environmental, health and economic challenges. To do so, we are constantly seeking to expand our impact in communities and making a significant contribution to the society.

Despite COVID-19 challenges in 2021, AFNIC contributed a total of approximately AED 260,100 in 26 initiatives which we launched, organized and participated in, to support local communities' development.

COMMUNITY INVESTMENT			
	2019	2020	2021
Value of investment in local community (AED)	405,475	157,000	260,100
Number of initiatives taken for the society	31	19	26

Some of the charities / donations made in the year 2021 were:

- Rashid Center for People with determination
- Various financial support initiatives
- Al Tareq Rehabilitation & Autism Center
- Donations to West Asia Paralympic federation
- Various donations made as school fees
- Donations made to the Khorfakkan club for the disabled
- Donations made to Specialist center for children with disabilities
- Donations to Al Hadaf Center for training People with determination
- Sponsorship for UAE Kerala Muslim Culture Center
- Donations to Emirates Association for the visually impaired
- Various donations to Emirates Society for parents' care and relief
- Donation for Graveyards Affairs
- Contributions to the Police Today Magazine
- Sponsorships for the tennis and country club
- Donation Hope gate Centre for Autism
- Donations to the Ministry of Health

DONATIONS WITH RED CRESCENT



ORPHANS AID INITIATIVE COORDINATING WITH RED CRESCENT





RESPONSIBLE OPERATIONS, RESPECTFUL RELATIONS

MATERIAL ISSUES COVERED:

**Technology
& Digitalization**



**Data Privacy
and Security**



**Customer
Experience**



**SUSTAINABLE
DEVELOPMENT GOALS:**

**Industry, Innovation
and Infrastructure**



**Partnerships for
the goals**



UAE VISION 2021 PILLARS:

**Sustainable
Environment
and Infrastructure**



**Safe Public and
Fair Judiciary**



TECHNOLOGY & DIGITALIZATION

Technology has always been a core part of AFNIC. AFNIC adopts modern technology and innovative concepts as part of its effort to achieve business excellence and sustainable growth.

Digital transformation is at the core of our strategy and encompasses a broad spectrum of initiatives, including new cloud-based products and services and the enhancement and development of our digital channels. Digital channels such as mobile apps, websites or customer portals will continue to play a major role for a better market reach and overall growth of our company.

AFNIC has prepared a clear strategy to take various initiatives, innovations and programs in the path of Digital Transformation, keeping in mind to be completely paperless by end of 2022.

One of our key projects in 2021 was introducing customer insurance portal. This is a highly defined and user friendly system which allows customers to buy our products online, compare pricing, online payment, customer support, claim initiation and much more. This allows customers in certain way to get their desired products and services within their comfortable zone and without showing up their physical presence to offices / outlets. This Project was focused towards bringing a strategic change against the traditional way of getting insurance products to the latest digital buying experience.

Other projects such as paperless strategy, Improving / updating the legacy systems to latest systems which consume less energy and less heat emissions, continuous IT awareness training to users in order to increase the system efficiency etc., had also been introduced to keep sustainable and ecofriendly systems.

The following programs are developed and running successfully in servicing our customers, keeping future sustainability purposes in mind:

- Business 2 Customer Portals
- Mobile App for all Online Products
- Automated insurance ATM
- Digital Signatures
- Dual Factor Authentication on all critical business apps
- AML production integration with Emirates ID Card reader
- SIEM Tool upgradation to Cloud based on Monitoring
- Industry leading Gateway Security to protect the Company Information Systems from bad actors



- Privilege Access Management Solution for monitoring servers / applications
- Introduced Business WhatsApp to customers for live engagement to provide immediate / efficient customer service
- Training for all AFNIC employees for understanding the path of AFNIC Digital Transformation
- Providing in-depth Cyber Security Awareness to handle all kinds of modern day threats

DATA PRIVACY AND SECURITY

Insurance organizations have to process personal data of their customers to underwrite risks and provide the most favorable services. Personal data is the lifeblood of insurance services, as only comprehensive and accurate information about clients allows insurance companies to provide viable and sustainable offerings. Therefore, data security and privacy are two foundational elements of building trust between the company and the user.

Data breaches and IT outages can generate large third-party liabilities not only from customers but from other stakeholders as well such as employees, local authorities etc.

With concerns to the above risks and to further strengthen the trust between and AFNIC and its stakeholders, we have developed and implemented multiple information system policies aiming to secure data and protect customer privacy. Some of these policies are:

- Physical Security Policy
- Asset Management Policy
- Operation Management Policy
- Information systems Acquisition, Development & Maintenance Policy
- Anti-Malware Policy
- Third Party Policy
- Information Security Policy
- Compliance Policy
- HR Security Policy
- Password Policy
- Information Security Incident Management Policy
- Data Protection & Privacy Policy
- Backup and Recovery Policy
- Internet Usage Policy
- Teleworking Policy
- Clear desk and clear screen policy
- IT Systems Continuity Policy

AFNIC takes Data Privacy and Security with utmost importance to protect and secure the data of our valuable customers and continuously invests in modern day systems to better prepare for modern day threats. Some of the measures taken to ensure data privacy and protection are:

- NESA IAS Implementation on cyber security and information security
- Implemented ADHICS Compliance mandated by DoH Abu Dhabi
- Formed ISMS Committee for governing, evaluating and enforcing information security practices in the organization
- Strengthened IT infrastructure by upgrading market leading security products & Services
- Implemented SIEM Tool for monitoring and tracking security incidents
- Security Awareness Trainings to employees to efficiently use the systems
- Implemented PAM tool to manage, track and record unauthorized access to privilege systems
- VAPT Tests on critical systems to identify the weak points
- Moved O365 Data Center in side UAE
- Enforced MFA in user systems
- Implemented DLP (Data Leakage & Prevention) System
- Signed NDA's with Third Party organizations and vendors who hold company data
- Continuously educating users about latest cybersecurity threats and defend against data leakages.

CUSTOMER EXPERIENCE

Our customers are a top priority for AFNIC. We always seek to offer them with high quality service that meet their needs and provide them with an exceptional customer service and convenience.

AFNIC has created a 'Customer Journey' plan to enhance and provide the best customer experience. This development plan has been in continuation, with multiple options in pipeline to further enhance customer experience. Below are some of the features of the 'Customer Journey' plan:

FEATURE	BENEFITS	AVAILABILITY
Website and Social Media	1) This communication tool increases visibility and access to the offered products and services to the public. 2) More than 3 Billion people worldwide are actively using social media. 3) Website Services include: A) Call Back service B) Blogs: updated with current activities C) Contact information	Available
Search Engine Optimization	1) SEO can help the business grow and reach objectives. 2) The company will be ranked at the top for search results made with specific keywords.	Developing
24 Hours Call Center	1) Makes customer engagement easier by providing a way to contact the company at any time. 2) Well-trained operators will answer questions, resolve issues and issue quotations in a timely and professional manner. 3) 24 Hours answering service gives round-the-clock direct access to customers to contact the company.	Developing

FEATURE	BENEFITS	AVAILABILITY
Online Quote	1) Faster and more convenient for the customer. 2) The number of customers will increase due to ease of access to their required service.	Developing
Walk-in Customer	1) The customers can experience direct customer service from the company, which can result in positive word-of-mouth promotion.	Available
Welcome / Thank you SMS	1) Texting is one of the most personal marketing tools. 2) Showing gratitude makes people feel valued 3) Showing the customer how much they are appreciated are important parts of the customer's emotional journey.	Developing
Customer Survey SMS	1) Customers surveys are the best way to make sure that the customer is satisfied and if they're not, give them the opportunity to remediate or to gather quick feedback from a broad audience.	Developing

FEATURE	BENEFITS	AVAILABILITY
Loyalty Program Invitation	1) Building Customer Loyalty programs are very effective for retaining customers. 2) The goals of the loyalty program include increasing business, improving sales, strengthening the relationship between the customer and the business, and keep the customer coming back.	Developing
Annual Statement by Email	1) It allows transparency to show customers how their data is being used, which increases trust. 2) Increases interaction with the client. 3) The clients become knowledgeable about their renewals.	Developing
SMS on Special Occasions	1) With SMS messaging we can remain and engaged with customers. 2) Expressing care and attention will create an emotional connection between the client and the company	Developing
Claims by phone call	1) Client's claim can be processed immediately	Available
Website Call Back Service	1) This well rounded customer service gives a higher chance to resolve the customers' requests quickly and efficiently. 2) Customers have increased satisfaction	Available
Claim by Website	1) It is convenient for the customer to make the claim, and for the company to register the claim. 2) Increases customer satisfaction	Developing

FEATURE	BENEFITS	AVAILABILITY
SMS Vehicle Collection	1) This sharing of information builds trust with the customer. 2) Zero entry costs for this service.	Available
After Claims Service	1) Using recommendations to develop the claims department can be utilized in reducing customer dissatisfaction 2) After claims service gives access to understand customers' feeling; how they feel after making a claim, what they expect from AFNIC and how to respond if they are disappointed.	Developing
SMS and Phone Call Reminders	1) Using SMS as an effective customer service channel to send important messages relating to a consumer renewal. 2) Phone call reminders provide a fast and convenient way to schedule reminders for renewal.	Available

Due to COVID-19, AFNIC's operations shifted to be more online and digital. The wholly in-house AFNIC Call Centre was established, as well as the online payment facility. This allowed customers to get their policies remotely.

Throughout 2021, AFNIC has acted on enhancing customer feedback systems by collecting feedback about products and services through surveys sent by SMS. These SMS surveys are sent immediately after a policy is purchased with AFNIC. Customers are also able to provide their complaints and suggestions on the AFNIC website, Facebook, and Google. After receiving a complaint, the customer is immediately called by the Call Centre team to get the details of the complaint. If possible, the complaint is resolved at the same time, or may be escalated to the next level of authority until the situation is resolved.

AFNIC has opened many channels of communication for customers, and the employees responsible for each line of communications have been fully trained to communicate with customers:

- 1) **AFNIC Toll Free: 800 AFNIC(23642)**
- 2) **AFNIC WhatsApp: 80023642**
- 3) **AFNIC Social Media:**



- 4) **AFNIC Website Call-Back Service**
- 5) **Renewal reminder SMS**

AFNIC employees undertake extensive training sessions to enhance their interactions with customers, while the processes of engaging with customers are audited on a regular basis to ensure customer satisfaction is achieved.

To measure AFNIC’s customer satisfaction, surveys are sent to customers after the purchase of a policy to collect their feedback about AFNIC’s products and services. The system used is provided by Question Pro, where all the responses are collected. Both summary reports and comprehensive reports are obtained through the Question Pro system, which enable for better analysis and process improvement.

A daily report on the customer satisfaction survey is provided to the Marketing & Sales Department Director. Any concerns regarding performance, or any negative reviews are addressed immediately by calling the customer and enquiring the concerned employee.

Moreover, all calls made to the Customer Service Call Centre are recorded. Every month, samples of calls attended by each Call Centre agent are evaluated by the Call Centre supervisor and feedback is provided to them on how to improve their service.

AFNIC has looked in to a loyalty program for AFNIC’s loyal customers, and it is a part of the marketing strategy. Although, the program is still in the development phase.

CUSTOMER COMPLAINTS			
	2019	2020	2021
Total number of complaints received	99	88	94
Total number of complaints resolved	96	76	90
% number complaints resolved	97%	86%	96%

MATERIAL ISSUES COVERED:



Sustainable Supply Chain



Risk Management



Fraud Prevention

SUSTAINABLE DEVELOPMENT GOALS:



Decent Work and Economic Growth



Industry, Innovation and Infrastructure



Responsible Consumption and Production

UAE VISION 2021 PILLARS:



Sustainable Environment and Infrastructure

SUSTAINABLE SUPPLY CHAIN

AFNICs' procurement procedures require all procurement activities to be performed in a fair and transparent manner. Suppliers are selected based on their ability to create the best value in terms of cost, quality and their compliance with legitimate and best practices requirements.

AFNIC has a procurement policy in place to organize and manage centralized purchasing and address transparency and fairness in supplier selection and evaluation. Providers are selected for their capability to serve the needs of the Company in the most economical and efficient manner possible. AFNIC requires all suppliers to be compliant with the UAE laws & regulations and AFNIC's procurement policies and procedures.

All procurement transactions are governed by Ethical business standards and purchases are made only from responsible providers. Providers doing business with AFNIC are monitored as to how they perform and are held to standards promoting sound and ethical business practices.

AFNIC evaluates all providers for their responsibility, business integrity, record of past performance, insurance, reputation, financial and technical resources in addition to any other measures it deems relevant.

Supporting local suppliers in the UAE boosts our contribution to the local GDP. When acquiring any products or services, the first option is always a local supplier. In 2021, 100% of the total procurement budget was spent on over 130 local suppliers.

PROCUREMENT			
	2019	2020	2020
Total number of local suppliers engaged	125	131	97
Procurement spending on local suppliers (AED '000)	60680	44219	33126
Total Procurement Spending (AED '000)	62660	46219	33126
Proportion of spending on local suppliers (%)	97%	96%	100%



RISK MANAGEMENT

AFNIC recognizes that the success of risk management determines the health and life of the business enterprise. If an organization fails to identify risks to its existence, it will be ill prepared to face any risk events.

AFNIC's risk management encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, financial, operational and compliance risks to achieving its key business objectives. AFNIC seeks to minimize the adverse impact of these risks, thus enabling it to leverage market opportunities effectively and enhance its long-term competitive advantage. Our core values and ethics provide the platform for our risk management practices.

Designation of leadership roles and responsibilities is critical for effective risk management. AFNIC has precisely defined such roles and responsibilities for the executives, business managers and the Internal Control Department for developing and executing risk management policies.

The board of directors is responsible for approving key business objectives, setting risk management strategy, monitoring and approving the risk management framework, reviewing and approving the corporate risk appetite and risk tolerance.

The Management's role includes oversight of risk management practices, including identification, impact assessment, monitoring, mitigation, and reporting.

The Internal Control Department (ICD) also plays an important role in evaluating the risk management processes of an organization and advocating their continued improvement. ICD monitors these risks and reports to the management on periodic basis in respect of the identified risks. Further, the risk improvement recommendations are given to the division manager. Risk response is received from the division manager and the same is discussed with the AFNIC Management. Summary of the major risks is presented and discussed with the Board on periodic basis.



We also maintain a risk register that classifies each category of financial, non-financial and emerging risks susceptible to AFNIC. The risk register is considered as a principal monitoring tool as it facilitates a holistic examination of risks across the enterprise. The following is a snippet of the risk register maintained:

RISK TYPE	RISKS IDENTIFIED	DESCRIPTION	MANAGEMENT RESPONSE
Operational Risks	Pricing/ Premium Rating	Premium not in line with risk assumed	A detailed Rating Guideline Manual for each class of Insurance and each type of Insurance with appropriate Rating Methodology is in place.
	Inadequacy of Reinsurance Program	Risk of inadequate protection if the Reinsurance Program is not adequately planned.	We undertake proper planning of Reinsurance Protection taking into account the Requirements of the Company.
Financial Risks	Premium collections	Risk of premium collection from Brokers and Sale Division.	The account will automatically freeze in case the collection exceeds credit limit for on account clientele. Moreover, ongoing monitoring done by collection department.
	Claims payments	Unexpected spike in claims	We ensure adequacy of reserve and moreover adequate Reinsurance support is availed
IT Security Risks	Improper Database Administration	Wrong updates can lead to Database Corruption and mismatch of records which might mislead data information.	Database Administration SYS user is controlled by the IT Manager and no other user has access to make any changes.
	Network Intruders	Outsiders access to AFNIC network	Network Access control enables to block if any unknown intruder tries to connect in AFNIC Corporate Network
Compliance Risks	Non-Compliance of Regulatory Requirements	Non Compliance with any new and existing regulation can result in payment of penalties.	Comprehensive compliance monitoring by Compliance Official.

FRAUD PREVENTION

AFNIC's formal and well-written Code of Conduct clearly defines our expectations of ethical behavior. The employees are expected to act with honesty and integrity and report any instance of suspected fraud.

All instances of actual and suspected fraud are dealt with seriously and investigated appropriately. AFNIC's Code of Conduct policy clearly states dealing fairly with clients, customers and counterparties and appropriately identify and manage actual, perceived and potential conflicts of interest. The policy also states that any gifts from the customers, suppliers, associates or any party involved in doing business with AFNIC should be declared in the Gifts Declaration Form and submitted to the Human Resources Department.

AFNIC also has in place a Whistleblower policy which encourages staff to report irregularities, incidents of suspected fraud, wrongful conduct and other infringements of the rules and policies in force. 'Whistle Blower' reports are handled with sensitivity, discretion and confidentiality. AFNIC protects 'Whistle Blowers' against 'retaliation' and verifies the reported incidents in an appropriate manner and all necessary steps are undertaken to identify proper remedies. Any form of retaliation undertaken by an employee, against any person for reporting irregularity, is prohibited and considered a breach of the AFNIC's Code of Conduct and Ethics. The Whistle Blower should report any reasonable concern about wrongful conduct, including aggressive, offensive or otherwise inappropriate behavior, fraudulent or dishonest use or misuse of AFNIC resources / property, to the appropriate authority. Protected disclosures and investigatory records are kept confidential to the maximum extent possible, consistent with the need to conduct an adequate investigation.



REPORT SCOPE AND BOUNDARIES

Completeness and Aspect Boundaries	This report has been produced with an attempt to make it as complete as possible and covers major activities of AFNIC and its branches in the UAE.
Materiality	This report covers the most material issues to AFNIC and its stakeholders. In alignment with the principles of the GRI Standards, AFNIC's materiality assessment consists of topics that reflect the reporting organization's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders.
Stakeholder Inclusiveness	AFNIC has identified its stakeholders, and explains how it has responded to their reasonable expectations and interests.
Sustainability Context	AFNIC has considered industry sector and regional trends in sustainability that affect its activities.
Reporting Cycle and Timeliness	This report covers the calendar year of 2021. Information disclosed in the report is recent and clearly indicates the time period to which it relates..
Accuracy	The information in this report has been presented in the most accurate form to the best of AFNIC's ability.
Balance	The reported information reflects a balanced perspective of AFNIC's overall performance.
Clarity	AFNIC has made best possible effort to make the information available in a manner that is understandable and accessible to a wide range of stakeholders.
Comparability	Comparisons are made throughout the report against preceding periods.
Reliability	The information in this report represents the best data available to AFNIC which can be subjected to examination.
Assurance	This report has not been externally audited or assured.