



**Alinma Tokio Marine Company**

**The 8<sup>th</sup> Annual Report of the Board of Directors**

**For Fiscal Year ending on 31 December 2020**

The Board of Directors of Alinma Tokio Marine Company (the Company, or ATMC) is pleased to present the eighth annual board report of the Company covering the Company's financial results and achievements for the twelve months period ended 31 December 2020.

This report must be read in conjunction with the Company's audited financial statements for the year ended 31 December 2020 and the Company's announcements on Tadawul. This annual board report includes the most important updates, financial results, operational activities and outlook disclosures in compliance with the rules and regulations applicable in the Kingdom of Saudi Arabia.

### **Background and main activities:**

ATMC is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 7001727200, dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Arabian Stock Exchange ("Tadawul") since 24 June 2012.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The purpose of the Company is to transact in cooperative insurance operations and all related activities in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia.

## **1. Main plans of the Company, important decisions and updates during the period:**

### **1-1 Strategic direction:**

The Company's mid-term business plan was approved by the Board of Directors in 2020. The key components of the plan included development and optimization of its core and non-core business activities covering corporate, retail and bancassurance distribution channels, underwriting and claims management, excellence in customer services, robust governance and risk management framework and investment activities. The Board of Directors oversees the progress in realizing business objectives of the Company on a regular basis.

### **1-2 Framework of Company Governance:**

During the year 2020, several new policies and procedures were developed to cater the growing business needs and regulatory requirements. These policies are reviewed on a continuous basis, aligned to the present and future business requirements and to strengthen the governance and risk management framework.

### **1-3 Branch Distribution Network:**

During 2020, the Company has not opened any new branch and have found existing three branches in Riyadh, Jeddah and Khobar sufficient to service its customer base. This is as per the recommendation of the Executive Management of the Company in line with Company's current business plan. This situation is going to be periodically assessed and need for expanding branch network will be evaluated to serve our expanding customer base.

#### **1-4 Key developments in operational activities**

Continuously reviewing operating processes and practices is one of key focus area for the company. Few key developments worthy of mention are as under:

- Quick adaptation to challenges posed by Covid-19 by developing new business procedures for remote working
- Improved underwriting profits by augmenting operational efficiencies leading to improved cost controls compared to last year
- Expanded retail motor business by writing business through aggregators
- Introduced new programs for enhancing employees' benefits
- Changed reinsurance strategy and restructured the scheme to achieve better and reasonable balance between retention and risk
- Successful replacement of IT system for general insurance business.

#### **1-5 Plan of Business Continuity and Disaster Recovery**

The Company's business continuity plans and disaster recovery plans are periodically tested to ensure minimal impact to operations in the event of disaster. The plans have been comprehensively designed to incorporate any major/minor disruption in markets where the Company has a business presence. Further, during the COVID 19 lockdown, the Company's operations were effectively and efficiently managed without any disruptions.

### **2. Future expectations, risks and developments**

#### **2-1 Competitiveness and work environment:**

In 2020, insurance market environment changed due to COVID-19 and various regulatory reforms. For example, physical meeting and face-to-face contact with customers has become difficult, many customers suffered slump in business, and lower claims frequencies due to less traffic etc. All these changes have made the market more competitive resulting into price competition to maintain customers.

The Company continues to aim to be the best insurance partner of choice, at the same time the Company has been focusing on profit-oriented direction. The result in 2020 has been better and resulted into improved underwriting profit due to company's focus on providing best customer service, despite sacrificing some premium growth.

#### **2-2 Future Expectations:**

The affect and impact of COVID-19 will continue in our life for some more time, and the Company expects some uncertainties in the market in 2021. The Company has not changed the core mission of becoming the best insurance partner of choice and aim to achieve the success both quantitatively and qualitatively.

In 2021, the Company plans to expand in the segment of small and medium-sized businesses by providing our professional service and utilizing the new reinsurance strategy. In addition to that, the Company also plans to expand in retail sector and bancassurance business to improve topline growth.

### **3. Risks faced by the Company**

During normal course of business, the Company is exposed to various risks. Besides having a sound risk management framework, systems and procedures are also put in place to identify, control and manage the major risks that the Company could be subjected to. The major risk types that might be encountered by the Company are as follows:

### **3-1 Credit Risk:**

Credit risk is the risk that arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value of financial assets disclosed in the statement of financial position for the period ended 31 December 2020. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia and transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

### **3-2 Insurance Risk:**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Insurance Risk incorporates underwriting, reserving and reinsurance risks. The Company monitors concentration of insurance risks primarily by class of business. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

### **3-3 Reinsurance Risk:**

Reinsurance risk arises when the reinsurance partners are unable to discharge their liabilities which makes the Company liable to the insured fully. To mitigate this risk, the Company only deals with reinsurance counterparties having strong financial ratings to minimize the reinsurance default risk.

### **3-4 Market Risk:**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Company's risk management policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

### **3-5 Liquidity Risk:**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. To manage the liquidity risk the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to provide additional liquidity when needed.

### **3-6 Operational Risk:**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all the Company's

activities. The Company manages the Operational risks by setting and following the policy and procedures of each department and Risk management department monitors their effectiveness periodically.

### **3-7 Information Technology Risk:**

Information Technology (IT) risk is error or failure of the business operations due to error associated with the internet connectivity, online transactions, and other business support applications. These risks are encountered due to large dependency on computer systems and information technology.

The Company has implemented strong controls including firewalls, anti-virus solutions and backups and recovery systems to minimize the risks posed by cyber risks. Moreover, the Company's Information security function under risk management department performs various information security activities to avoid any risk associated with the cyber-attacks.

### **3-8 Regulatory Risk:**

The Company is operating in an industry with high regulations. Failure to meet those regulatory standards and requirements would expose the Company to various penalties and would increase reputational risk. The Company is cognizant of its responsibilities and thus has established a legal and Compliance department which is responsible to keep tracks of important deadlines and ensures all the mandatory requirements are met timely.

### **3-9 Solvency Risk:**

The risk arises when the Company may not be able to meet its solvency requirements as defined by Saudi Central Bank ('SAMA'). Monthly solvency margin calculations are prepared to gauge the solvency position. The Company has projected the Solvency Margin for 3 years and monitors the movement on monthly basis

### **3-10 COVID-19 risk:**

The coronavirus global pandemic may adversely impact the Company's operations, financials, service levels, employees, customers, and suppliers. To combat the COVID 19, the Company has formed a dedicated task force to plan and execute business continuity plans, and to ensure the safety and wellbeing of our employees, to maintain excellent service levels, to actively engage with, and support, our customers, and regulators.

## **4. Business Results and Financial highlights:**

Despite the challenges faces due to COVID 19 situation, the overall performance of the Company improved in 2020 as compared to the last year. In 2020, shareholder's income before zakat and income tax improved by 95.7%. This was achieved mainly due to decrease in net claims incurred by 43.9%, decrease in policy acquisition costs by 16.1%, decrease in mathematical reserves by 133.6%, increase in other underwriting income by 190% and increase in investment income by 10.9%. General and Accident line of business portfolio increased by 18.9% and Protection and savings business portfolio increased by 15.3% mainly due to our focused approach of improving business in general and protection and savings line of businesses.

#### 4-1 Summary financial results:

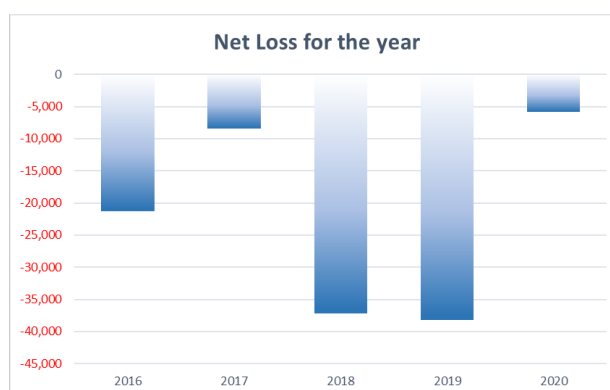
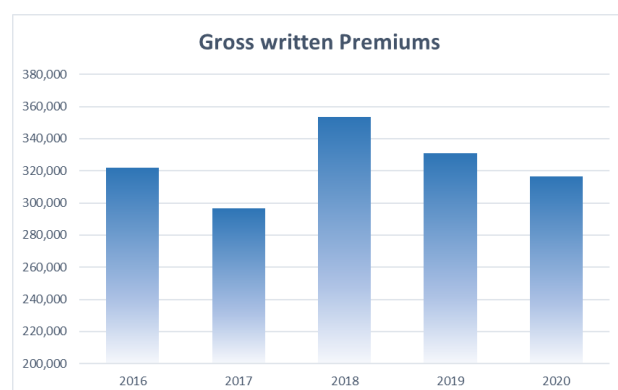
The below table shows the key financial metrics for the years 2016-2020 (unit: SAR'000)

Statement of operations	2016	2017 (restated)	2018 (restated)	2019	2020
GWP	321,888	296,723	353,591	331,141	316,315
Net Earned Premiums	115,314	135,960	201,403	161,546	136,836
Total revenue (insurance operations)	138,160	160,839	226,495	187,953	167,810
Gross claims paid	(189,901)	(195,681)	(199,214)	(243,553)	(160,147)
Net claims Incurred	(90,360)	(75,361)	(151,748)	(117,785)	(66,033)
Total expenses (insurance operations)	(69,123)	(88,524)	(109,582)	(108,840)	(102,247)
Net loss for the year	(21,272)	(8,478)	(37,146)	(38,231)	(5,823)

#### 4-2 Historical key financial figures

The below charts summarize the Company's gross written premiums and net loss for the years 2016 -2020 (Unit: SAR'000).

GWP reduced by SAR 14.8 million (4.5%) while Net loss for the year improved by SAR (+84.6%).



#### 4-3 Balance sheet summary: (Unit: SAR'000)

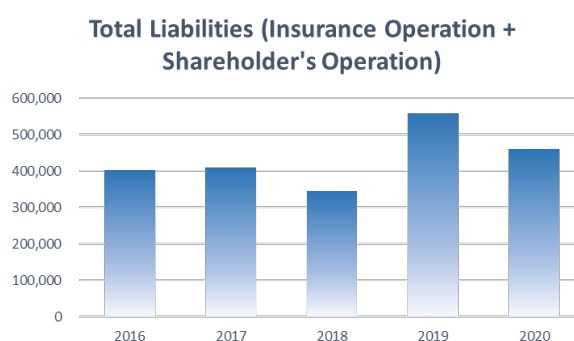
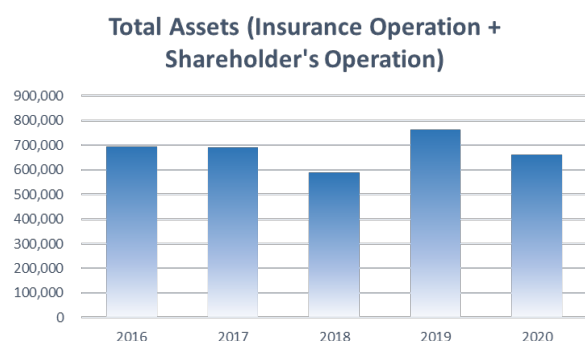
Total assets decreased by SAR 106 million (13.9%) this reduction primarily driven by redemption of Murabaha deposits amounted to SAR 96.7 million, reduction of outstanding claims by SAR 101.1M, the decrease in assets have been partially offset with the increase in cash and cash equivalents, investments, reinsurance share of unearned premiums and reinsurance of Incurred but not reported claims and unit linked liabilities by SAR 76.3 million.

Total Liabilities decreased by SAR 101m (18.2%) mainly due to the decrease in payable to policyholders by SAR 95.6 million, decrease in outstanding claims by SAR 110.9 million, the decrease in liabilities have been partially offset mainly with the increase in unearned premiums, reinsurance balances payable, incurred but not reported claims and unit linked liabilities by SAR 92.5 million.

The Company has accumulated losses of SAR 98,427 as at 31<sup>st</sup> December 2020 which represents 32.81% of the share capital. The reason for these losses is high expense ratio and deterioration in loss ratio. The Board of Directors has approved a business plan on 17<sup>th</sup> December 2020. The plan is based on improving the net premiums written and control over

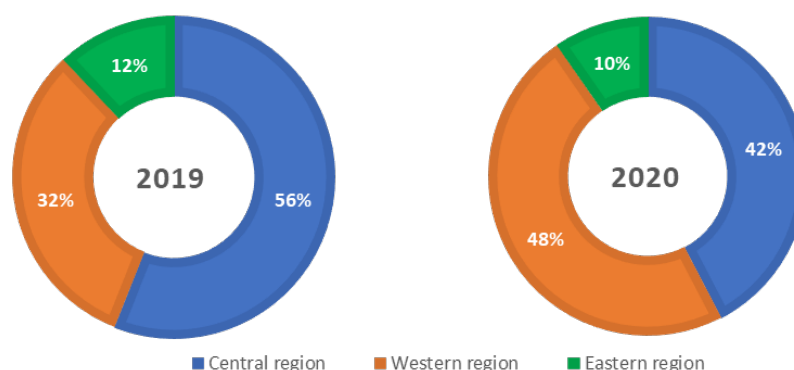
expenses and loss ratios. The plan demonstrates that the Company will be able to continue as a going concern for foreseeable future.

Insurance Operation + Shareholder's Operation	2016	2017	2018	2019	2020
Cash and cash equivalents	138,931	107,863	52,710	219,182	235,480
Investments	99,750	137,061	217,385	136,311	49,456
Premium and Reinsurance receivables	193,920	126,390	96,325	73,111	70,633
Reinsurance share of outstanding claims, incurred but not reported claims	137,378	147,110	102,633	152,787	59,558
Other assets	126,156	160,432	109,609	180,637	240,870
<b>Total Assets</b>	<b>696,135</b>	<b>678,856</b>	<b>578,662</b>	<b>762,028</b>	<b>655,997</b>
Outstanding claims	111,998	142,455	97,703	172,767	61,847
Incurred but not reported claims	66,628	39,221	28,706	31,895	46,576
Unearned premiums	75,403	76,138	80,827	107,765	133,049
Other liabilities	142,433	138,594	126,428	242,551	212,762
<b>Total Liabilities</b>	<b>396,462</b>	<b>396,408</b>	<b>333,664</b>	<b>554,978</b>	<b>454,234</b>

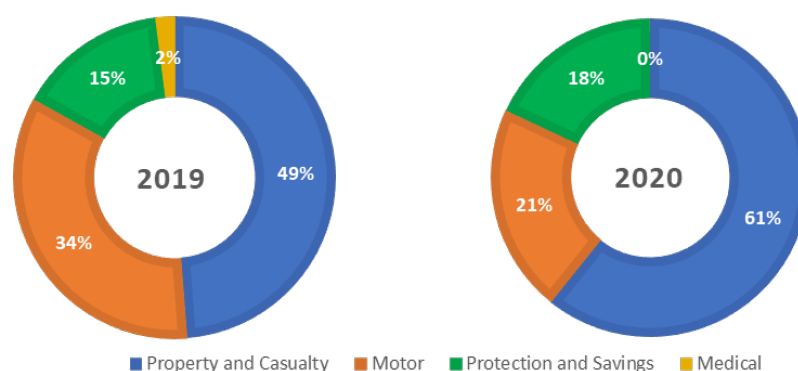


#### 4-4 Geographical and Segmental Analysis of GWP: (Unit: SAR'000)

The company operates within Saudi Arabia only, and does not have any branches or businesses outside the Kingdom, it has three regional branches, namely the Central region, the Western region, and the Eastern region, Total GWP for the year 2020 is amounted to SAR316.3 million.



As of the end of 2020, 61% of the company's business is Property and Casualty line, Motor line is 21%, and Protection & Saving business is 18%.



#### 4-5 Fundamental differences in operational Results:

Fundamental differences in operating results for the year ended 31 Dec 2020 (Unit: SAR' 000)

	2019	2020	Change	Change(%)
GWP	331,141	316,315	(14,826)	-4.5%
Net Earned Premiums	161,546	136,836	(24,710)	-15.3%
Reinsurance Commission Earned	24,123	24,351	228	+0.9%
Policy Acquisition Cost	(30,496)	(25,588)	4,908	-16.1%
Net Claims Incurred	(117,785)	(66,033)	51,752	-43.9%
Net loss for the year	(38,231)	(5,823)	32,408	-84.6%

The decrease in net loss for the year compared to last year is mainly due to decrease in net claims incurred by 43.9%, decrease in policy acquisition costs by 16.1%, decrease in mathematical reserves by 133.6%, increase in other underwriting income by 190% and increase in investment income by 10.9%. the above positive contributors to decrease in loss have been partially offset with the decrease in net earned premiums by 15.3% and increase in changes in unit linked reserves by 23.5%

**4-6** The joint independent external auditors' report contains an unqualified opinion on the financial statements of the Company. The financial statements present fairly in all material aspects the financial position of the company as at 31st December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ('SOCPA').

Further, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as endorsed in Kingdom of Saudi Arabia by SOCPA, other standards and pronouncements issued by SOCPA, regulations for Companies and Company's By-Laws.



## 5. Payments to Regulators (Unit: SAR'000)

Name	Description	2020	
		Payable	Paid
GAZT	ZAKAT & TAX	7,075	3,279
SAMA	SAMA fees	1,373	1,198
CCHI	CCHI fees	0	0
GOSI	Subscriptions	221	2,553
CMA	Listing fee/Service fee	-	348
TOTAL		8,669	7,378

The General Authority of Zakat and Income Tax (GAZT): Total outstanding predominantly related to the annual zakat and tax charge for the year 2020 and additional contingency provisions for Zakat matters.

The Saudi Central Bank (SAMA): The total amount paid to SAMA for inspection and supervision fees for the third quarter and penalties amounted to SAR 1,198 thousand (k), and the outstanding balance reflects the accrual booked for remaining quarters. For the penalties the company paid to SAMA, refer section 21.

The Council for Cooperative Health Insurance (CCHI): The total amount paid to CCHI for levies amounted to SAR 0.49k

The General Organization for Social Insurance (GOSI): The total amount paid to GOSI during the year was SAR 2,553k. Total outstanding amount of SAR 221k related to accrual booked for the last month of the year 2020, which the company will pay in Jan 2021.

Tadawul and the Capital Market Authority (CMA): The Company paid SAR 348k to Tadawul/the CMA during 2020, which included SAR 300k for service fees, SAR 48k for annual listing fees.

## 6. Major Shareholders

6-1 The Company has authorized capital of SR 300,000,000 divided into SR 30,000,000 ordinary shares with a nominal value of SR 10 per share. The following table indicates the shareholders owning more than 5% of the shares of the Company as on 31 December 2020. There has been no change in the composition of the shareholders holding more than 5% of the shares during the year ended 31 December 2020.

Shareholder	Ownership Percentage (%)	Number of Shares	Nationality
Alinma Bank	28.75%	8,625,000	Saudi
Tokio Marine & Nichido Fire Insurance Co.	28.75%	8,625,000	Japanese

6-2 Description of the interests, option rights and subscription rights of the Board members, senior executives, their spouses and minor children to the shares or debt instruments of the Company together with the changes affecting such interests or such rights during the last fiscal year:

Name		Beginning of the Year		End of the Year		Change rate
		Number of Shares	Debt instruments	Number of Shares	Debt instruments	
1	Mutlaq Hamad Al Morished	150,000 (direct) +666 (to one of the minor children)	-	150,000 (direct) +666 (to one of the minor children)	-	0%
2	Essam bin Abdul Aziz Banaja	831	-	831	-	0%
3	Ali Suliman AlAyed	1,000	-	1,000	-	0%
4	Khalid Abdullah AlRumaih	83	-	83	-	0%

6-3 Except for the one mentioned below, none of the Senior Executives, their spouses and minor children have any interest in the shares of the Company.

Name		Beginning of the Year		End of the Year		Change rate
		Number of Shares	Debt instruments	Number of Shares	Debt instruments	
1	Abdullah Ali Alturaiki	9,283	-	9,283	-	0%

## 7. Board of Directors

### 7-1 Key Responsibilities of the Board:

Subject to the competencies established by the general assembly, the Board shall have the broadest authorities as to the management of the Company. Among these responsibilities borne thereby, following are mentioned as example:

- providing proposals to develop the strategy of the Company;
- monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company;
- reviewing reports related to the performance of the Company;
- ensuring the integrity and impartiality of the financial statements and information of the Company;
- determining the appropriate level of remunerations of the members of the Executive Management;
- expressing opinions as to the appointment and dismissal of members of the Executive Management;

### 7-2 Information about the Board Chairman and Members:

The Board of Directors consisted of the following members and their membership in the Boards of other Saudi joint stock companies is detailed below:

	Name	Membership Classification	Entity the Member represents	Member of other Board Committees in the Company	Membership in other Saudi joint stock companies Boards
1	Abdalmohsen Abdulaziz AlFares	Non-Executive	Alinma Bank	Member of Executive Committee	Alinma Bank National Tri-generation Company (NTCC) Alinma Investment Company

2	Hironari Iwakuma	Non-Executive	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Chairman of Executive Committee Member of Nomination and Remuneration Committee	-
3	Ibrahim Sulaiman AlSayari	Non-Executive	Alinma Bank	Chairman of Risk Management Committee Member of Investment Committee	-
4	Mutlaq Hamad Al Morished	Non-Executive	-	-	Alinma Bank Citigroup Saudi Arabia National Metal Manufacturing & Casting Co. (Maadaniyah)
5	Toshiaki Suzuki	Non-Executive	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Member of Risk Management Committee Member of Executive Committee	-
6	Ali Suliman AlAyed	Independent	-	Chairman of Investment Committee Member of Executive Committee	-
7	Essam Abdul Aziz Banaja	Independent	-	Chairman of Audit Committee Member of Nomination and Remuneration Committee	-
8	Khalid Abdullah AlRumaih	Independent	-	Chairman of Nomination and Remuneration Committee Member of Investment Committee	-

\* Khalid Abdullah AlRumaih was appointed as an independent director by Board of directors on 3 November 2020, except for Except for Khalid Abdullah AlRumaih all the above directors were elected in the General Assembly Meeting in 2018.

### 7-3 Summary about the Board Members

	Name	Current Position	Qualifications	Previous Experiences and Positions
1	Abdul Mohsen Abdulaziz Alfares	CEO – Alinma Bank	Master of Accounting – Western Illinois University B.A. of Accounting –	General Manager of Financial Services of Abdul Latif Jameel Company General Manager of General Authority of Zakat and Tax

			King Saud University	Manager of General Accounting Department, SAMA
2	Hironari Iwakuma	Chairman and CEO, Chairman of Board of Directors of Tokio Marine Middle East Limited Chairman of Board of Tokio Marine Egypt General Takaful Director of Tokio Marine Egypt Family Takaful	B.A. of Economy – Konan University	General Manager of Tokio Marine and Nichido Fire Insurance Co. Executive Director of Tokio Marine Malaysia Berhad (Mr. Iwakuma has over 30 years of experience in insurance sector)
3	Ibrahim Suliman ALSayari	Alinma Bank – Deputy Head of Retail Banking Department	B.A. of Computer Sciences – Boston University	SAMA, Manager of Banking Technology Alinma Bank, General Manager of Banking Technology and Operations
4	Ali Suliman Alayed	-	B.A. of Accounting – King Saud University	General Manager of Insurance Companies Controlling – SAMA CEO and Member of Executive Committee and Investment Committee in Malath Cooperative Insurance Co. Deputy CEO & Senior Financial Officer in Saudi Electricity Company Financial Manager in The Company for Cooperative Insurance (Tawuniya)
5	Mutlaq Hamad Al Morished	CEO – National Industrialization Company (Tasnee)	Master of Business Administration – Stanford University Masters of Nuclear Engineering – Princeton University B.A. of Nuclear Physics and Mathematics – University of Denver	CFO of Saudi Basic Industries Corporation (SABIC) Board Chairman of Saudi Kayan Board Chairman of Yansab
6	Essam Abdulaziz Banaja	Administrative Consultant – Banaja Administrative Investments	Ph.D. of Business Administration – Ain Shams University Master of Business Administration – Ain Shams University B.A. of Administration – King Abdul Aziz University	Deputy Chairman of Alhamrani United Company Marketing Works, Securities and Expenditures in Citibank
7	Toshiaki Suzuki	General Manager – Tokio Marine Holding Director of Tokio Marine North America, Inc. Director of Tokio Marine Compania de Seguros, S.A. de C.V.	Master of Business Administration – University of Virginia B.A. of Social Sciences – International Christian University	CFO of Tokio Marine Seguradora CFO of Tokio Marine Kiln Insurance Limited Director of Delphi Financial Group Inc. Director of Tokio Marine &

		Director of Tokio Marine Middle East		Nichido Fire Insurance Co. (China) Ltd. Director of Tokio Marine Kiln, Limited (Mr. Suzuki has over 30 years of experience in insurance sector)
8	Khalid Abdullah AlRumaih*	Manager of Government Affairs Central Province – Saudi Aramco Chairman of the board of Al-Inma Saudi Riyal Liquidity Fund, Saudi Equity Fund, Multi-assets Balance Fund, Multi-assets Defensive Fund, IPO fund.	B.A. of Psychology – King Saud University Advanced international commerce communication, MLS International college, UK.	General manager of the office of HE, the minister of health. Committee member of King Salman Oasis.

\* Khalid Abdullah AlRumaih was appointed on 03 Nov 2020.

**7-4 During the year, the Board of directors convened four meeting and following is the position:**

Name	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Number of Meetings attended
	17-Feb-20	7-May-20	9-Sep-20	17-Dec-20	
1 Abdulmohsen Abdulaziz Alfares	✓	✓	✓	✓	4
2 Hironari Iwakuma	✓	✓	✓	✓	4
3 Ibrahim Suliman ALSayari	✓	✓	✓	✓	4
4 Mutlaq Hamad Al Morished	✓	✓	✓	✓	4
5 Essam Abdulaziz Banaja	✓	✓	✓	✓	4
6 Ali Suliman Alayed	✓	✓	✓	✓	4
7 Toshiaki Suzuki	✓	✓	✓	✓	4
8 Khaled Abdullah Al-Romaih*	-	-	-	✓	1
Number of attendees in each meeting	7	7	7	8	-

\* Khalid Abdullah AlRumaih was appointed on 03 Nov 2020.

**8. Committees of the Board of Directors**

ATMC Board of Directors has established committees which include Board members and external independent members.

**8-1 Audit Committee**

**Brief of the Audit Committee:**

The Audit Committee consists of three members. The Committee reviews the financial statements of the Company and submit proposals to the Board. The Audit Committee reviews internal Audit and Compliance reports, also assesses the procedures and

performance of the external auditors and approves the plan of compliance, annual internal audit and related audit plans.

#### **Formation of the Committee:**

The Audit Committee was formed on 09 Jun 2018 to be as follows and comprised of the following members:

	Name	Classification
1	Essam Abdulaziz Banaja	Chairman of Committee, Independent Board Member
2	Ahmed Abdullah AlMeghames	Member of Committee, from outside the Board
3	Abdullah Abdulrahman Al-Rowais	Member of Committee, from outside the Board

The Audit Committee held six meetings during the year 2020.

Name		First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Number of Meetings attended
		17-Feb-20	17-Feb-20*	2-Jun-20	16-Aug-20	1-Nov-20	30-Dec-20	
1	Essam Abdul Aziz Banaja	✓	✓	✓	✓	✓	✓	6
2	Ahmed Abdullah Al-Meghmas	✓	✓	✓	✓	✓	✓	6
3	Abdullah Abdul Rahman Al-Rowis	✓	✓	✓	✓	✓	✓	6
Number of attendees in each meeting		3	3	3	3	3	3	-

\* Meeting with the Board.

## **8-2 Nomination and Remuneration Committee**

#### **Brief of the Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee consists of three members. The Committee studies the remunerations (including incentives, long-term incentives and salary increases) paid to the executive management of the Company. In addition, the Committee approves the policies and procedures of human resources and provides recommendations about the appointment of Committee members.

#### **Formation of the Committee:**

	Name	Classification
1	Khalid Abdullah AlRumaih	Chairman of the Committee, Independent Board Member
2	Hironari Iwakuma	Member of the Committee, Non-executive Board member
3	Essam Abdulaziz Banaja	Member of the Committee, Independent Board Member

\* Khalid Abdullah AlRumaih was appointed as an independent member in the Board on 03 Nov 2020. He was a member from outside the Board on the above-mentioned Committee until the date of the appointment thereof as a member of the Board.

The Nomination and Remuneration Committee held two meetings during the year 2020\*.

Name		First Meeting	Second Meeting	Number of Meetings attended
		17-Feb-20	16-Dec-20	
1	Khaled Abdullah Al-Romaih	✓	✓	2
2	Hironari Iwakuma	✓	✓	2
3	Essam Abdul Aziz Bangja	✓	✓	2
Number of attendees in each meeting		3	3	-

\*In addition to the above mentioned, during the year 2020 the Committee has held closed meetings.

### 8-3 Risk Management Committee:

#### Brief of the Risk Management Committee:

The Risk Management Committee consists of three members. The Committee develops a comprehensive risk management strategy and monitors the implementation thereof, revises and updates when necessary based on the internal and external risk factors impacting the Company. The committee also reviews the policies of risk management, and periodically reassesses the ability of the Company to bear exposure to risks (by conducting tolerance tests for example). The Committee also raises detailed reports to the Board of directors on the exposure to the risks and the steps proposed for managing such risks.

#### Formation of the Committee:

	Name	Classification
1	Ibrahim Suleiman AlSayari	Chairman of the Committee, Non-executive Board member
2	Toshiaki Suzuki	Member of the Committee, Non-executive Board member
3	Felipe Montalban Cortijos	Member of the Committee, from outside the Board

The Risk Management Committee held four meetings during the year 2020.

Name		First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Number of Meetings attended
		17-Feb-20	6-Apr-20	8-Sep-20	10-Dec-20	
1	Ibrahim Suleiman AlSayari	✓	✓	✓	✓	4
2	Toshiaki Suzuki	✓	✓	✓	✓	4
3	Felipe Montalban Cortijos	✓	✓	✓	✓	4
Number of attendees in each meeting		3	3	3	3	-

### 8-4 Executive Committee:

#### Brief of the Executive Committee:

The Executive Committee consists of four members. The role of the committee is to support the Board in managing the business by revising and monitoring the operational

performance of the Company and verifying that the Company achieved the required objectives thereof.

#### Formation of the Committee:

	Name	Classification
1	Hironari Iwakuma	Chairman of the Committee, Non-executive Board member
2	Abdulmohsen Abdulaziz Alfares	Member of the Committee, Non-executive Board member
3	Ali Suliman Alayed	Member of the Committee, Independent Board member
4	Toshiaki Suzuki	Member of the Committee, Non-executive Board member

The Executive Committee held seven meetings during 2020:

	Name	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting	Number of Meetings attended
		16-Feb-20	7-May-20	5-Jul-20	8-Sep-20	27-Oct-20	17-Nov-20	16-Dec-20	
1	Hironari Iwakuma	✓	✓	✓	✓	✓	✓	✓	7
2	Abdulmohsen Abdulaziz Alfares	✓	✓	✓	✓	✓	✓	✓	7
3	Ali Suliman Alayed	✓	✓	✓	✓	✓	✓	✓	7
4	Toshiaki Suzuki	✓	✓	✓	✓	✓	✓	✓	7
Number of attendees in each meeting		4	4	4	4	4	4	4	-

#### 8-5 Investment Committee:

##### Brief of the Investment Committee:

The Investment Committee consists of three members. The committee assists the Company in monitoring the implementation of its investment policy thereof and supervising such investments. In addition, the Committee supervises investments of the Company to achieve the best return within the framework of the existence of acceptable risks as determined by the Board, also monitors the liquidity requirements. The Committee also makes sure that the investments comply with the requirements of SAMA and abide by the Islamic Sharia. Moreover, the Investment Committee provides investment consultations to the Board.

#### Formation of the Committee:

	Name	Classification
1	Ali Suliman Alayed	Chairman of the Committee, independent Board member
2	Khalid Abdullah AlRumaih*	Member of the Committee, independent Board member
3	Ibrahim Suliman ALSayari	Member of the Committee, non-executive Board member

\* Khaled Abdullah Al-Romaih was appointed as an independent member in the Board on 03/11/2020. He was a member from outside the Board on the above-mentioned Committee until the date of the appointment thereof as a member of the Board.



The Investment Committee held four meetings during 2020.

Name	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Number of Meetings attended
	21-Feb-20	19-Apr-20	8-Sep-20	9-Dec-20	
1 Ali Suliman Alayed	✓	✓	✓	✓	4
2 Khalid Abdullah AlRumaih	✓	✓	✓	✓	4
3 Ibrahim Suliman ALSayari	✓	✓	✓	✓	4
Number of attendees in each meeting	3	3	3	3	-

#### 8-6 Brief about the members of the Committees from outside the Board:

Name	Representative in Board Committees	Current position	Qualifications	Previous Experiences and Positions
Abdullah Abdulrahman Al-Rowais	Audit Committee	Head of Internal Auditing – Mobily	Master of Computer Sciences, University of Detroit, USA Accounting Higher Diploma, American Economic Institute B.A. of Accounting, King Saud University	Manager of Auditing Works - Aramco Auditor at SAMA
Ahmed Abdullah AlMeghames	Audit Committee	Secretary General of Saudi Organization for Certified Public Accountants	Ph.D. degree in business administration and accounting, University of Mississippi, USA Fellowship of Saudi Organization for Certified Public Accountants	Member of Secretary Council, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Board Member – Yansab Members of Risk Committee
Philippi Montalbank Cortijos	Risk Management Committee	General Manager of Risk Management in Alinma Bank	Master of business Administration – Ateneo University, Philippines B.A. of Economy and Finance - Xavier University (Ateneo de Cagayan), Philippines	Samba Financial Group SJSC. Regional Risks Manager, Middle Area Members of Nomination and Remuneration Committee
Khalid Abdullah AlRumaih*	Nomination and Remuneration Committee Investment Committee	Manager of Government Affairs Central Province – Saudi Aramco Chairman of the board of: Al-Inma Saudi Riyal Liquidity Fund, Saudi Equity Fund, Multi-assets Balance Fund, Multi-assets Defensive Fund, IPO fund.	B.A. of Psychology – King Saud University Advanced international commerce communication, MLS International college, UK.	General manager of the office of HE, the minister of health. Committee member of King Salman Oasis.

\* Khalid Abdullah AlRumaih was appointed as an independent member in the Board on 03 Nov 2020. He was a member from outside the Board on the above-mentioned Committee until the date of the appointment thereof as a member of the Board.

#### 8-7 Sharia Committee

Although Sharia Committee is not part of the Board committees, it plays a significant role in the Company. It consists of three members and they review and determine Sharia conditions and controls governing all transactions, products and the content of the insurance policies of the Company. Sharia Committee in ATMC consists of the following members:

Chairman and Members of the Committee	
1	His Highness/ Dr. Abdullah bin Mohamed Al-Mottleq (Chairman of the Committee)
2	His Highness Sheikh/ Mohamed bin Ali Al-Qari (Member)
3	His Highness/ Dr. Yousef Abdullah Al-Shebili (Member)

## 9. Executive Management

9-1 The Company is managed by a specialized and experienced team presided over by CEO for achieving the objectives of the Company and working on implementing the recommendations of the Board. Brief summary of the Executive Management of the Company is as follows:

	Name	Current position	Qualifications	Previous Experiences and Positions
1	Kentaro Kita	CEO	B.A. in Economics, Keio University Master of Business Administration, Massachusetts Institute of Technology	Manager of International Business Development Department, Tokio Marine Holdings Director of Tokio Marine Middle East Manager of Tokio Marine & Nichido Fire Insurance Co. Treasurer and COO of Tokio Marine Pacific Insurance Limited
2	Abdullah Ali AlTuraiki	Chief of Human Capital and Support Services	Diploma of Human Resources Diploma of Commerce Diploma of English Language	Department Manager, Human Resources Group in Al Rajhi Bank Branch Manager, Retail Banking Group in Al Rajhi Bank Manager of Human Resources of Branch Network, Retail Banking Group in Al Rajhi Bank Assistant General Manager, Human Capital Group, Alinma Bank Consultant of Human Resource, Alinma Tokio Marine Secretary of the Board, Alinma Tokio Marine Secretary of Nomination and Remunerations Committee
3	Nouman Rafiq	CFO	Chartered Accountant (CA) from the Institute of Chartered Accountants of Pakistan and Master of Economics, Certified Financial Consultant (CFC) – University of Financial Consultants, USA	Head of Finance – Alinma Tokio Marine Manager Finance – Mohamed Yousuf Naghi Motor – Hyundai Manager Internal Audit and Risk - RUSD Investment Company Supervising Senior – KPMG and PricewaterHouse Coopers
4	Samer AlJabhan	CSO	Bachelors of English Linguistics and Literature Faculty of Arts and Human Science, Language Department, King Abdulaziz University, Jeddah Saudi Arabia Institute of The Bahrain Institute of Banking and Finance	Head of Brokers & International Partners of Tawuniya Insurance Company Central Region Manager of ACE Arabia Cooperative Insurance Co. Central Region Manager of Royal & Sun Alliance (RSA)

## 9-2 Benefits and remunerations given to the Board members, committees and senior executives

The annual remuneration is payable to the members of the Board of directors of Alinma Tokio Marine after obtaining the approval of the general assembly of the Company. In addition, the Company paid allowances for attending the meetings and relevant expenses applicable to the members of the Board and committees emerging therefrom. This is as per the laws and regulations applicable in KSA. The Company also paid the entitlements of senior executives according to the terms of the employment contract.

#### 10-1 Details about the remuneration-related policies of the Board members and mechanism of determining them:

The Saudi Companies Law provides for in Article (76) that "the total amount of remunerations, remunerations, financial benefits or benefits in kind obtained by a member of the Board does not exceed an amount of five hundred thousand Saudi riyals annually as per the controls developed by the competent authority."

The remuneration payable to the Chairman and the Directors of the Company, including the fees for attendance of Board and Committee meetings, is in line with the Article 19 of the Company's By-Laws.

#### 10-2 Remunerations of Board Members:

The below table represents the actual remuneration paid to the Board members in 2020 related to 2019 and based on the General Assembly approval.

Fixed remuneration **								
		Certain Amount	Allowance for attending the meeting of the Board	Total allowance for attending the Committee meetings	Benefits in kind	Remunerations for technical, administrative and consulting works	Remunerations for Chairman, managing director, or secretary, in case he is a Board member	Total
Independent Members								
1	Essam Abdulaziz Banaja	200,000	12,000	10,500	-	-	-	222,500
2	Ali Suliman Alayed	200,000	12,000	16,500	-	-	-	228,500
3	Khalid Abdullah AlRumaih*	-	-	-	-	-	-	0
Total		400,000	24,000	27,000	-	-	-	451,000
Non-executive Members								
4	Abdalmohsen Abdulaziz Alfares	200,000	12,000	10,500	-	-	-	222,500
5	Ibrahim Suliman ALSayari	200,000	12,000	12,000	-	-	-	224,000
6	Hironari Iwakuma	200,000	12,000	13,500	-	-	-	225,500
7	Toshiaki Suzuki	200,000	12,000	16,500	-	-	-	228,500
8	Mutlaq Hamad Al Morished	200,000	12,000	-	-	-	-	212,000
Total		1,000,000	60,000	52,500	-	-	-	1,112,500

\* Khalid Abdullah AlRumaih was appointed on 03 Nov 2020.

\*\* The Company has not paid variable remunerations and End of service reward to Board members.

### 10-3 Remuneration paid to the Committee Members:

Name		Fixed Remuneration (except for meeting attendance allowance)	Meeting attendance allowance	Total
Members of Audit Committee				
1	Essam Abdulaziz Banaja	-	7,500	7,500
2	Abdullah Abdul Rahman Al-Rowis	50,000	7,500	57,500
3	Ahmed Abdullah Al-Meghmas	50,000	7,500	57,500
Total:		100,000	22,500	122,500
Members of Nomination and Remuneration Committee				
1	Khalid Abdullah AlRumaih	-	3,000	3,000
2	Hironari Iwakuma	-	3,000	3,000
3	Essam Abdulaziz Banaja	-	3,000	3,000
Total:		-	9,000	9,000
Members of Risk Management Committee				
1	Ibrahim Suliman ALSayari	-	6,000	6,000
2	Philippi Cortijos	-	6,000	6,000
3	Toshiaki Suzuki	-	6,000	6,000
Total:		-	18,000	18,000
Members of Executive Committee				
1	Hironari Iwakuma	-	10,500	10,500
2	Abdulmohsen Abdulaziz Alfares	-	10,500	10,500
3	Ali Suliman Alayed	-	10,500	10,500
4	Toshiaki Suzuki	-	10,500	10,500
Total:		-	42,000	42,000
Members of Investment Committee				
1	Ali Suliman Alayed	-	6,000	6,000
2	Khalid Abdullah AlRumaih	-	6,000	6,000
3	Ibrahim Suliman ALSayari	-	6,000	6,000
Total:		-	18,000	18,000

#### 10-4 Senior Executives Remunerations:

The following table shows the remuneration paid to top five senior executives (including CEO and CFO) during the year 2020;

Positions of Senior Executives	Fixed Remunerations *				End of Service Benefits	Grand Total
	Salaries	Allowances	Benefits	Total		
Chief Executive Officer	677,652	462,360	-	1,140,012	75,605	1,215,617
Chief Financial Officer	439,752	213,240	-	652,992	69,305	722,297
Chief Human Capital & Support Services Officer	574,668	273,048	-	847,716	78,925	926,640
Chief Sales Officer	443,364	201,540	-	644,904	40,121	685,025
Chief Internal Audit Officer	501,163	218,848	-	720,011	38,651	758,662
Total	2,636,599	1,369,036	-	4,005,635	302,607	4,308,242

\* The Company has not paid variable remunerations to senior executives.

#### 11. Internal Control System and Effectiveness thereof

The management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by Board of Directors. The system of internal controls is based on what management considers to be appropriate for the company's activities, considering the materiality of the financial and other risks inherent in those activities and the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against material misstatement and loss. In addition, the General Assembly has formed an Audit Committee, which periodically reviews the reports submitted by the internal and external auditors. Such reports also include the evaluation of the effectiveness or otherwise of the internal controls. In view of the above, we believe that the company has a reasonably sound and effective system of internal controls in force, both in design and implementation. During the year, there have been no material observations in respect of the effectiveness of internal control system and procedures of the company.

#### 12. Subsidiaries

As required in terms of the CMA disclosure requirement of Article 90 paragraphs 22 and 23, the Company and the Board confirms that the Company has no subsidiaries and therefore no issued shares nor any debt instruments for any subsidiary.

#### 13. Appointment of Auditors

The Company's General Assembly held on 7<sup>th</sup> June 2020 agreed with the Board of Directors and appointed PKF Albassam & Partners. and AlAzem, AlSudairy, AlShaikh & Partners as joint external auditors of the Company's financial statements for the fiscal year ended 31<sup>st</sup> December 2020.

The Board has accepted all the recommendations of the Audit Committee relating to the appointment, and determination of the remuneration of the external auditors. The Board of Directors has not recommended that the external auditors should be changed before their current term elapses.

#### 14. Borrowing or Loans

As required in terms of the CMA disclosure requirement of Article 90 and paragraph 27, the Company and the Board confirms that it has no borrowing or loans outstanding at the end of the period and nor has it been required to make any payments against borrowings or loans during the period.

#### 15. Related Parties

There are no transactions and contracts concluded by the Company through any of the members of the Board, CEO, CFO, or any other party having a material interest in such contracts. This is with the exception to the transactions and contracts referred to in Paragraph (17) and employment contracts of senior executives. It shall be taken into consideration that one of the conditions of such contracts that it shall not grant any preferential benefits and insurance premiums shall be directly paid. Such contracts shall be presented for obtaining the approval of the general assembly therefor.

#### 16. Financial Transactions of related Parties during the year are as follows:

Related Party	Interested Board Member	Relationship Nature	Transaction Nature	Term	Contract Amount
Alinma Bank	Abdalmohsen Abdulaziz Alfares Ibrahim Suliman ALSayari Mutlaq Hamad Al Morished	Contractual relationship	Insurance	Year	Gross Written Premium SAR 38,416,000
		Contractual relationship	Service contracts	Year	SAR 4,240,000
Alinma Investment	Abdalmohsen Abdulaziz Alfares Ibrahim Suliman ALSayari Mutlaq Hamad Al Morished	Contractual relationship	Investment agreement	Year	SAR 26,217,000
Tokio Marine & Nichido Fire Insurance Co.	Hironari Iwakuma Toshiaki Suzuki	Contractual relationship	Premiums – reinsurance agreement	Year	Reinsurance Premium SAR 10,390,000
Tokio Marine Middle East Limited	Hironari Iwakuma Toshiaki Suzuki	Contractual relationship	General and administrative expenses	Year	SAR 8,000

#### 17. Important Resolution of the Board during the Fiscal Year of 2020:

Amongst many the major Board resolutions/ approvals during the year were the following:

- Changes in By-laws
- Business plan for the year 2020 and 2021
- Reinsurance Strategy for the year 2020
- Financial Statements for the year 2019
- Business Continuity plan
- IT Disaster Recovery plan and procedure
- Policies and Procedures of Development of Business Plan and Annual Budget

- The appointment of the Board member, and Board Committee members and changes in Secretary, as per the NRC recommendation, for the new term, where required and applicable

#### **17-1 Notifying the Board Members of the proposals of the Shareholders:**

The Board always realizes the rights of the shareholders and works towards protecting their rights to ensure fairness and equality between them. In this regard, all proposals and notes of the shareholders about the Company and its performance of business shall be taken into consideration. Moreover, the members of the Board shall be informed thereof and work on achieving the same. It shall be noted that, during 2020, there were no notices issued by the shareholders for encouraging the Board to take any action.

#### **17-2 Assessment of the performance of the Board and its Members and Committees:**

The Nomination and Remuneration Committee assessed the performance of the Board and its members and committees after the end of the fiscal year of 2020.

#### **18. General Assembly Meeting held in 2020**

The General Assembly Meeting of the Company for the year 2020 was held on 7<sup>th</sup> June 2020, and we include the highlights of our key Tadawul announcements, and the summary of the General Assembly resolutions approved.

#### **19. Requests of the Company associated with Shareholders' Record:**

Number of the requests of the Company associated with Shareholders' Record	Request Date	Request Reason
1	9th December 2020	Company procedures
2	1st January 2020	General assembly
3	4th June 2020	General assembly
4	1st March 2020	Verification of some shareholders
5	9th January 2020	General assembly

As required in terms of the CMA disclosure requirements of Article 90, paragraph 32, during 2020, the Company made five requests on Tadawul for its shareholder database. The above all being for the purpose of ensuring fulfilment of regulatory requirements and to better understand and serve our Shareholders' needs.

#### **20. Policy of Profit Distribution**

The Company intends to distribute dividends from its annual net profits to Shareholders, after payment of Zakat and applicable taxes to the Department of Zakat and Income Taxes, which will be calculated from the Company's net profit, after distributing the policyholders' surplus as per the surplus distribution policy of the Company and in accordance with article 70 of the Implementing Regulations.

The Ordinary General Assembly may also, upon the proposal of the Board, approve to withhold a percentage of the net profits to constitute an additional reserve and allocate it for purposes that contribute to consolidate the Company's financial position, increase its expansion potentials, and invest in the elements of its future success.

Any declaration of dividends will depend on the Company's financial position, the market condition, the general economic conditions, and other factors, including the availability of

investment opportunities, reinvestment of dividends and the Company's need for cash and capital, as well as other legal and regulatory considerations to fulfil the contractual obligations of the Company. Dividends will be distributed in Saudi Riyals.

Although the Company intends to distribute dividends to its Shareholders, it does not guarantee any actual distribution of dividends in any year, nor does it guarantee the amount which will be distributed in any year in the future.

The dividends distribution is subject to certain limitations stipulated in Article 45 of the Company's By-laws and Article 70 of the SAMA Implementing Regulations, the Shareholder's profits shall be distributed as follows:

1. 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.
2. The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly.
3. The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up capital.
4. By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in point 3 above, may be distributed in accordance with applicable rules and regulations issued by the competent authorities.

The Company shall immediately inform the Capital Market Authority (the "CMA") of any resolutions or recommendations for distribution of profit. The profits, so proposed for the distribution shall be paid to the Shareholders at the place and time specified by the Board pursuant to the instructions issued by the Ministry of Commerce & Industry and subject to SAMA written approval.

It shall be taken into account that there are no profits for the fiscal year of 2020 and therefore no profits are distributed.

## 21. Regulatory Penalties

### 21-1 Resolutions of Saudi Central Bank:

Violation Subject	Fiscal Year ended 31 Dec 2019		Fiscal Year ended 31 Dec 2020	
	Number of Executive Resolution	Total amount of Financial Penalties in SAR	Number of Executive Resolution	Total amount of Financial Penalties in SAR
Violation of the supervisory and controlling instructions of the Company	-	-	12	260,000
Violation of the instructions of the Company on client protection	-	-	-	-
Violation of the instructions of the Company on taking care for anti-money laundry and terrorism finance	-	-	5	260,000



21-2 Except for the above, there are no regulatory penalties imposed on the Company in 2020. The Board of directors have shown serious concerns and directed the management to prepare a detailed checklist for all the regulations and circulars issued and to ensure full compliance of the regulations to avoid any breaches hindering the performance of the Company.

## 22. Compliance with the Governance Regulations:

The Company is committed to, and is in full compliance with, the full adherence to the provisions of the SAMA Insurance Corporate Governance Regulations, as well as with that of the requirements of the Company's Code of Corporate Governance. The Company is also in compliance with the CMA Corporate Governance Regulations with the following exceptions:

	Article/ Paragraph no.	Provision of Article/ Paragraph	Reasons for Non- Application
1	Article 41 (f) Assessment of Chairman of the Board	Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.	The Company has policy and procedures for assessment the Board and the Committees. It is sufficient at the time being but will be updated to follow the guidance In future.
2	Article (87) Social Responsibility	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	All initiatives of the Company are well considered to be in line with our social responsibilities. The concrete programs, indicators are to be established in future to cover the guidance.
3	Article (88) Social Initiatives	The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include: establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities; disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and establishing awareness programs to the community to familiarize them with the Company's social responsibility	
4	Article (95) Corporate Governance Committee	If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance and shall provide the Board with its reports and recommendations at least annually.	Though the Company does not have the Corporate governance committee, the Board and Committees periodically monitors governance status of the Company.

## 23. Total benefits for employees

Benefits and compensation of employees are paid in accordance with the provisions of Saudi Labor Law. As of 31<sup>st</sup> December 2020, the accumulated balance for the end of

service benefits amounted to SR 5.6 million. The Company did not make any investments for the benefit of the employees.

#### **24. Social Contributions of the Company**

The Company is convinced of the importance of social contributions. Thus, the Company seeks to contribute to serving the society in all fields. Consequently, in 2020, the Company participated in professional forums for investing in Saudi careers. A number of Saudi youths were employed in the different fields of the Company. Moreover, the Company cooperated with a number of Saudi universities to provide trainings to fresh graduates. Further, during the year, through various marketing campaign, the company raise awareness of Protection and Savings insurance.

#### **25. Additional declarations:**

The Company confirms that:

- There are no loans, whether payable on demand or otherwise, and the company did not pay any amount in settlement of loans.
- There are no convertible debt instruments, options, warrants or similar rights issues or granted by the Company during the year ended 31 December 2020.
- There are no conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants, or similar rights issued or granted by the issuer.
- There is no interest in a class of voting shares held by persons other than ATMC's directors, senior executives and their relatives that have been notified to the Company of their holdings pursuant to Article 45 of the Listing Rules.
- There is no redemption or purchase, or cancellation by the company of any redeemable debt instruments or the amount of such securities outstanding.
- The Company's directors, senior executives, and their relatives (spouse, children, and parents) do not have any interest in the contractually based securities, and subscription rights in the shares or debt instruments of the Company.
- The company did not enter into any business or contract to which a director of the company, the CEO, the CFO or any person related to any of them is or was interested except for the ones mentioned in clause 16.
- There have been no instances of any arrangements or agreements under which any director or senior executive has waived any emolument or compensation.
- There have been no instances of any arrangements or agreements under which any shareholder has waived any rights to any dividends.
- There has been no conflict with audit committee recommendation with board resolution or those which the board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditors.
- The Company does not maintain any treasury shares.

#### **26. Declarations:**

We the Board of directors declares the following:

- As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point a), and as required by Saudi Arabian insurance regulations, the Company, and the Board, confirms that proper books of account have been maintained and that it maintains separate accounts for each of Insurance Operations and Shareholder Operations, and can confirm that it has maintained proper accounting records during the financial year.

- As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point b), the Company, the Audit Committee, and the Board, confirms the system of internal control is sound in design and has been effectively implemented.
- As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point c), the Company, and the Board, confirm there are no significant doubts about the Company's ability to continue as a going concern.

We would like to thank the shareholders of the Company for the confidence they have reflected in us. We also appreciate the valued support and guidance provided by the regulators over time. We would also express our sincere thanks to the employees, strategic partners, vendors, bankers, and customers for their support in pursuit of our corporate objectives.

**Best Regards,**