



## Board of Directors Report

for the financial year ended on 31/12/2020

**Messrs. Shareholders of Arabia Insurance Cooperative Company, Esq.**

The Board of Directors of Arabia Insurance Cooperative Company ("the Company") is pleased to present to you the following report on the company's business results, achievements, plans, significant decisions and disclosures in accordance with the Registration and Listing Rules, Corporate Governance Regulation and Insurance Companies Governance Regulation, accompanied with the External Auditors' Report and the Financial Statements for the financial year ended on 31/12/2020.

*Kind greetings*

**1) Company Activity**

Arabia Insurance Cooperative Company is a Saudi public joint-stock company established under the Royal Decree No. (R/23) dated 15/03/1428 H. (corresponding to 03/04/2007) and The Council of Ministers Decision No. (93) dated 14/03/1428 H. (corresponding to 02/04/2007). The Company operates its business by virtue of the Commercial Registration No. 1010243302 issued in Riyadh on 18/01/1429 H. (corresponding to 27/01/2008). The company's capital amounts to two hundred and sixty five million (265,000,000) Saudi Riyals, divided into twenty six million five hundred thousand (26,500,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share, fully paid, and the shares have been listed on the Saudi Stock Exchange (Tadawul) on 26/01/1429 H. (corresponding to 04/02/2008).

The company holds a permit from the Saudi Central Bank under No. TMN/15/20086 dated 14/06/1429 H. (corresponding to 18/06/2008) to exercise insurance and reinsurance activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations. The permit to exercise the activity was renewed for a period of three years, beginning on 12/06/1438 H. and ending on 11/06/1441 H.; upon request by the company, it could obtain the approval of the Saudi Central Bank to amend its activity so that it would be limited to practicing insurance activity, according to the letter No. 351000076885 dated 14/06/1435 H. corresponding to 14/04/2014. The company's objectives are exercising the cooperative insurance business and its related activities in the Kingdom of Saudi Arabia, and its main activity includes all categories of general insurance, health insurance, protection and savings.

Pursuant to article (3) of the Company's Articles of Association which stipulates that the company's objective is: "exercising the cooperative insurance business and all its related activities such as reinsurance, agencies, representation, correspondence or mediation. The company has the right to carry out all the works required to achieve its objectives, whether in the field of insurance, investment of its funds, ownership and mobilization of immovables and cash, their sale, exchange, or lease, either directly through itself or through companies it establishes or buys or in partnership with other bodies. The company carries out its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations and the regulations and rules in force in the Kingdom of Saudi Arabia, subject to obtaining the necessary licenses from the competent authorities, if any.

**Summary of insurance products**

- |                                      |                                           |                             |                                |
|--------------------------------------|-------------------------------------------|-----------------------------|--------------------------------|
| • <b>Motor Insurance</b>             | • <b>Health Insurance</b>                 | • <b>Property Insurance</b> | • <b>Engineering Insurance</b> |
| • <b>General Accidents Insurance</b> | • <b>Protection and Savings Insurance</b> | • <b>Marine Insurance</b>   | • <b>Other Insurance</b>       |

## Company branches

The company operates through its head office and its licensed branches existing all over the Kingdom, as follows:

<b>Head office</b>	Riyadh - Alworood District King Abdulaziz Road Bin Tami Center Tel. +966 11 2153360 Fax: +966 11 2153197 P. O. Box 286555 Riyadh 11323 Website: <a href="http://www.aicc.com.sa">www.aicc.com.sa</a>
<b>a) Central region</b>	Riyadh branch: King Abdulaziz Road Bin Tami Center
<b>b) Western region</b>	1) Jeddah: Tahlia Street- Al Salam Building 2) Makkah al-Mukarramah: Al Rusaifa – Ring Road III, Al Salwa Tower, next to Civil Defence
<b>c) Southern Region</b>	King Fahd Road- Al Tasheel Building.
<b>d) Eastern Region</b>	Khobar- Servant of the Two Holy Mosques- Prince Homoud Street- Dewan Jezira Building

**The company also has several points of sale spread throughout the Kingdom of Saudi Arabia.**

## 2) Significant Developments and Decisions in 2020

The fiscal year 2020 was the Eleventh anniversary of the company's operations, and the following are the most significant decisions, developments and measures taken during the fiscal year 2020:

### Election of a new board of directors:

On 27/02/2020, the Assembly adopted the following:

- 1- Approval of the business of the Board of Directors from the date of expiration of its session on 31/12/2019 until the date of the Ordinary General Assembly on 27/02/2020.
- 2- Approval of the election of BoD members from among the candidates for the next session, which starts from the date of the Ordinary General Assembly on 27/02/2020 and continues for three (3) years, ending on 26/02/2023, as follows:
  - Mr. Muneer Butros Mouasher
  - Mr. Abdulaziz bin Abdulhadi Alqahtani
  - Mr. Abdulaziz Saleh Alomair
  - Mr. Ghassan Ibrahim Fares Akeel
  - Mr. Othman (Mohammad Ali) Othman Bdeir
  - Abdulrahman Mohammad bin Nasser Alangri

- Mohammad Ibrahim Almangour

**Appointing a financial advisor to increase the company's capital by a value of SAR 265 million through a rights issue shares offering:**

On 16/04/1440 H corresponding to 24/04/2019, the company announced that it had received the letter of the Saudi Central Bank under No. 89/30238 dated 18/08/1440 H corresponding to 23/04/2019, indicating no objection to increasing the company's capital by an amount of 265 million Saudi Riyals by way of offering right issue shares so that the company's capital after the increase becomes 530 million Saudi Riyals, provided that the company meets all the requirements of other official authorities.

On 28/10/2020, Al-Inma Investment Company was appointed as the financial advisor to manage the subscription of the right issue share offering.

**Renewal of The License to Practice Insurance Business by the Saudi Central Bank:**

The company received a letter from the Saudi Central Bank on 11 Jumad Al-Awal 1441 H corresponding to 06 January 2020, which includes the approval of the Central Bank to renew the license to practice insurance business in the Kingdom of Saudi Arabia for a period of three years, starting from 11/06/1441 H, until 10/06/1444 H corresponding 02/06/2020, until 03/01/2023 in the following areas: (general insurance, health insurance, protection and savings).

**Ordinary General Assembly:**

The Ordinary General Assembly held (the first meeting) on 21/07/1441 H corresponding to 30/06/2020, via remote modern technology means and suspending its holding in person meetings pending further notice. The meeting results were as follows:

1. Approval of the Board of Directors' report for the fiscal year ending on 31/12/2019.
2. Approval of the Company's Auditor Report for the fiscal year ending 31/12/2019.
3. Approval of the financial statements for the fiscal year ending on 31/12/2019.
4. Approval of absolving the members of the Board of Directors of their liability for their performance during the fiscal year ending on 31/12/2019.
5. Approval of the appointment of the Company's Auditors from among the candidates in order to examine, review and audit the financial statements for the second, third, and fourth quarter and the annual financial statements for the fiscal year 2020 and the first quarter of the fiscal year 2021, and to determine their fees.; namely: PKF Al Bassam & Co. Chartered Accountants (Al Bassam & Co.) and Crowe Global / AlAzem, AlSudairy, AlShaikh & Partners CPA's.

6. Approval of the business and contracts that will be conducted between the company and the Arab Supply Trading Company (ASTRA), in which a member of the Board of Directors Mr. Ghassan has an indirect interest therein, represented in various insurance policies according to the Company approved documents and licensing them for a coming year without any preferential benefits, noting that the value of transactions during the year 2019 amounted to 227,486 Saudi Riyals.

7. Approval of the business and contracts that will be conducted between the company and Abdul Hadi Abdullah Al-Qahtani Company, in which a member of the Board of Directors Mr. Abdulaziz bin Abdul Hadi Al-Qahtani has an indirect interest therein, represented in various insurance policies according to the Company approved documents and premitting them for a coming year without any preferential benefits, noting that the value of transactions during the year 2019 amounted to 4,486,406 Saudi Riyals.

8. Approval of the business and contracts that will be conducted between the company and the member of board Mr. Abdulaziz bin Abdul Hadi Al-Qahtani, in which he has a direct interest therein, represented in various insurance policies according to the Company approved documents and permitting them for a coming year without any preferential benefits, noting that the value of transactions during the year 2019 amounted to 102,244 Saudi Riyals.

9. Approval of the business and contracts that will be conducted between the company and the member of board Mr. Ghassan Akeel, in which he has a direct interest therein, represented in various insurance policies according to the Company approved documents and permitting them for a coming year without any preferential benefits, noting that the value of transactions during the year 2019 amounted to 8,245 Saudi Riyals.

10. Approval of the business and contracts that will be conducted between the company and the member of board Mr. Abdulaziz bin Saleh Alomar, in which he has a direct interest therein, represented in various insurance policies according to the Company approved documents and permitting them for a coming year without any preferential benefits, noting that the value of transactions during the year 2019 amounted to 21,191 Saudi Riyals.

11. Approval of the business and contracts that will be conducted between the company and the member of board Mr. Abdulrahman Mohammad bin Nasser Alangri, in which he has a direct interest therein, represented in various insurance policies according to the Company approved documents and premitting them for a coming year without any preferential benefits, noting that the value of transactions during the year 2019 amounted to 11,292 Saudi Riyals.

**Assigning the company by Aljomaih Group of Companies to provide comprehensive Motor insurance services**

On 27/02/2020, Aljomaih Group assigned the Company to provide comprehensive insurance services for vehicles for a period of one calendar year, starting from 01/03/2020.

**Staff development and training:**

During the year 2020, the company's management provided specialized training courses for its Saudi employees in several fields and for various positions and functions.

**Reinsurance agreements**

During the year 2020, the company renewed and signed reinsurance agreements with leading global reinsurance companies with an international rating ranging between A+ and A.

**Insurance brokerage agreements**

During the year 2020, the company signed agreements with insurance brokerage companies approved by the Saudi Central Bank, and the company operates through two electronic platforms affiliated with brokerage companies to market and sell the Motor insurance product.

**Approval of the action plan and company budget.**

The Board reviewed the company's business and strategy, and approved an action plan and strategy for the coming three years 2020 to 2023, moreover it also approved the company's budget for the year 2020.

**Appointing a new General Manager for the company:**

On Monday dated 15/11/1441 corresponding to 06/07/2020, the Board of Directors took a decision to appoint Mr. Ziyad bin Muhammad Al-Rubaish to the position of General Manager, starting from that date.

**Appointment of the Chairman and Deputy Chairman of the BoD and the formation of committees emanating from the Board of Directors for the new session:**

On 19/07/2020, the company announced on Thursday 25/11/1441 H corresponding to 16/07/2020, appointing Mr. Abdulaziz bin Abdul Hadi Al-Jadhi Al-Qahtani (non-executive) as the Chairman of the Board of Directors, and appointing Dr. Abdulrahman bin Muhammad Al-Angari (Independent) as the Deputy Chairman of the Board of Directors

The Board also decided to form several committees, namely: the Executive Committee, the Nomination and Remuneration Committee, the Investment Committee and the Risk Management Committee.

On 01/01/1442 corresponding to 20/08/2020, the Audit Committee was approved, specifying its tasks, work controls, and its members' remuneration for the new session starting from 20/08/2020 until the end of the session on 26/02/2023.

**3) Future Plans and Projections**

The insurance sector still faces a number of challenges, including the intensification of competition between insurance companies, so the company's management will continue to focus on the quality of production, not on its quantity, at prices that are in line with the recommendations of the actuary in accordance with the requirements of the regulatory authorities.

For the year 2020, the company has taken several corrective measures that have improved financial performance with better technical result and lower expenses. These measures included diversifying the portfolio by increasing production in the general insurance sector, not renewing the accounts with high loss ratios, improving the efficiency of collecting receivables, reducing general and administrative expenses, and the provision for doubtful debts.

The company strives to expand the current general insurance portfolio by benefiting from its shareholder base and attracting new customers due to the high profit margin in these sectors compared to the health and motor insurance sectors. Diversification from traditional products will also be pursued by innovating new products, using technology, and using non-traditional sales channels while maintaining strict underwriting quality standards and cost optimization.

#### **4) Risks that Company may face, its assessment and addressing methods:**

The company adopts policies for managing, measuring and controlling risks that are subject to the implementing regulations of the Cooperative Insurance Companies Control Law and the Risk Management Regulation so that these policies are evaluated and updated periodically. Given the nature of the company activity, it is exposed to regular risks. Internal Audit and Risk Management Departments review and evaluates all risks that arise from the Company's activities and business, examine the results of all evaluation processes with senior management, the audit committee, and the risk committee, and submit a report of the results in accordance with the regulatory standards and requirements in addition to the methods of their Mitigation and recommending them to the Board of Directors. A summary of the risks to which the company is exposed, include without limitation the following:

##### **a) Insurance risks**

The risks related to the increase in actual claims due to contracted parties regarding insured events over the carrying value of insurance liabilities. This could take place because of recurring claims, or if the claims amounts and actual benefits paid, or subsequent developments in long-term claims differ from expectations. The objectives of the company are to ensure that sufficient resources are available to cover these liabilities. The risks arising from insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

##### **Frequency and amounts of claims**

The frequency and amount of claims may be affected by many factors. The company mainly covers underwriting Motor and medical insurance contracts. These operations are considered short-term insurance contracts because, in general, claims are reported and paid within one year of the occurrence of the insured accident. In turn, this would reduce insurance risk.

##### **Motor Insurance**

For Motor insurance, the main risks are the claims for death and bodily injury and the replacement or repair of vehicles. The company issues comprehensive insurance policies only to the owner/ driver who is over 18 years old. Mainly, most vehicle contracts relate to individuals. The company also adopts risk management procedures for monitoring the cost of claims. The company has reinsurance coverage to limit losses related to any individual claim, up to SAR 1,000,000.

### **Medical Insurance**

The Company's medical insurance strategy is designed to ensure that risks are well diversified in terms of type of risk and level of benefits insured. This can be achieved through a variety of sectors and geographical regions, to ensure that prices take into account the current health conditions, regular review of actual claims, product price, and detailed procedures for follow-up of claims. The company also follows a policy based on serious and active follow-up of claims in order to cover unexpected future risks that may negatively affect the company.

#### **b) Reinsurance risks**

Similar to other insurance companies, the company, in the course of its normal business cycle, reinsures with third parties to reduce the potential financial losses that may arise from large insurance claims. These arrangements ensure greater diversification in business, allow the management to monitor potential losses that may arise from large risks, and provide additional growth capabilities. A significant portion of reinsurance takes place under reinsurance agreements, discretionary reinsurance contracts, and excess of loss reinsurance.

In order to reduce its exposure to the risks of large losses arising from the bankruptcy of reinsurance companies, the company assesses the financial position of reinsurance companies, and monitors the concentration of credit risk resulting in geographical areas and activities and economic characteristics similar to reinsurance companies.

The assigned reinsurance agreements do not relieve the company of its obligations towards policyholders. Accordingly, the company remains liable towards policyholders for its share of the reinsured under settlement claims to the extent that the reinsurer has not fulfilled its obligations under the reinsurance agreements.

#### **c) Risks related to regulatory requirements**

The company's operations are subject to the requirements of local regulations in the Kingdom of Saudi Arabia. These regulations not only require obtaining approvals and monitor activities, but also impose some restrictions such as capital adequacy to reduce the risks of deficit and bankruptcy by insurance companies and to enable them to pay their unforeseen liabilities when they arise.

#### **d) Credit risk**

Credit risk is the inability of one party to meet its obligations with respect to a financial instrument, which results in the other party incurring a financial loss. For all classes of financial assets acquired by the company,

the maximum credit risk of the company represents the carrying value disclosed in the statement of financial position.

Liquidity risk is the company's inability to meet commitments related to its financial obligations on time. The liquidity requirements are monitored monthly, and the management ensures that sufficient liquidity is available to meet any liabilities when they arise.

#### **e) Commissions rates risk**

Commission rate risk arises from the fluctuation of the value or future cash flows of a financial instrument as a result of changes in commission rates prevailing in the market. Financial instruments with a variable commission expose the company to commission rate risk resulting from cash flows, while fixed commission financial instruments expose the company to commission risk resulting from fair value.

The company is exposed to commission rate risk on some of its investments. The company limits commission rate risk by monitoring changes in commission rates in the currencies of the investments.

#### **f) Operational risks**

Operational risk is the direct or indirect loss risk resulting from a wide range of causes associated with the processes, technology and infrastructure that support the company's operations, whether internally within the company or externally to 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 the generally accepted standards of investment management behavior. Operational risk arises from all activities of the company.

The company's objective is to manage operational risk in order to achieve a balance between reducing financial losses and damage to its reputation in achieving its investment objective of generating returns for investors. The primary responsibility for developing and implementing controls over operational risk rests with the Board of Directors. This responsibility includes the elements of control in the following areas:

- requirements for appropriate separation of duties between different jobs, roles and responsibilities;
- requirements for settlement and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of the operational risks taking place,
- adequacy of controls and procedures to address the identified risks;
- ethical and business standards and
- the risk mitigation policies and procedures.

#### **g) Risks related to the Cooperative Insurance Companies Control Law and its implementing regulations**

Insurance companies conduct their business in accordance with the Cooperative Insurance Companies Control Law and its implementing regulations in force in the Kingdom of Saudi Arabia. The law defines the framework of insurance companies with regard to business lines, capital and surplus requirements, the size of insurance claims, the scale and types of investments, technical standards, settlement arrangements, adequacy of

reserves, and others. Accordingly, any changes, amendments or new policies in the insurance laws could negatively affect the company's business, financial position and operational results.

The business of insurance companies is regulated and monitored by the Saudi Central Bank, which has full authority to take the necessary measures to regulate the sector, including issuing approvals for business permits or modifying them, approving the offering of insurance products and their types, imposing fines, penalties, and others. In the event that the company fails to comply with the Cooperative Insurance Companies Control Law and its implementing regulations, it will be exposed to fines or penalties, which will negatively and substantially affect its business results, financial performance or sustainability.

#### **5) Evaluation of Company Strategy and its Financial Position**

The company seeks to implement its strategy to be in line primarily with the economic transformation plan and the Kingdom's vision 2030, the strategy is to strive to grow in a qualitative manner in order to achieve returns for shareholders and develop the human capital, especially the national manpower, in addition to maintaining a high level of financial solvency despite the difficulties in the market.

The Company's authorized, issued and fully paid up capital is SAR 265 million, consists of 26.5 million shares with a par value of SAR 10 per share. On 20 December 2018, the Board of Directors issued its decision recommending an increase in the company's capital by an amount of 265 million Saudi Riyals by offering a rights issue. This decision will follow all the provisions stipulated in the relevant laws and regulations, and the company obtained a letter of no objection by the Saudi Central Bank on the capital increase and a financial advisor has been appointed to manage the subscription of the right issue, noting that the company still maintains a solvency margin higher than the statutory requirements.

#### **6) Societal Responsibility**

Believing in the importance of the social responsibility of the private sector in order to achieve the aspirations of the Kingdom's Vision 2030, the company participated in several initiatives and contributions, the most important of which is the contribution to the Health Endowment Fund to confront the Corona pandemic, as the company contributed an amount of five hundred thousand Saudi Riyals.

Moreover, the company also coordinated during the year 2020, with several licensed NGOs and engaging its employees in awareness campaigns, including a blood donation campaign for the company's employees.

7) Table indicating Company's assets and liabilities, and its business results for last five years 2016-2020

Statement Of Financial Position	2016	2017	2018	2019	2020
Assets of Insurance operations	Thousand Saudi Riyal				
Cash and cash equivalents	64,945	45,370	55,465	24,006	33,351
Time deposits	41,523	20,000	10,000	10,000	20,350
Available-for-sale investments			0	0	0
Held-to-maturity investments	26,467	26,105	26,105	29,855	32,653
Premiums and reinsurance balances receivable, net	126,828	108,003	113,178	110,463	141,114
Reinsurers' share of unearned premiums	60,950	50,612	51,490	55,863	42,905
Reinsurers' share of outstanding claims	66,728	41,355	41,491	37,152	33,978
Reinsurers' share of claims incurred but not reported	12,412	5,275	8,160	14,504	9,379
Deferred policy acquisition costs	14,367	10,044	8,391	7,236	11,018
Prepaid expenses and other assets	13,206	11,418	12,297	15,791	17,591
Due from related parties		64	83	83	93
Property and equipment, net	5,039	5,003	6,547	6,713	6,599
Right-of-use assets				6,734	5,372
Due from shareholders' operations	83,345	74,636	75,413	101,987	41,910
<b>Total assets of insurance operations</b>	<b>515,810</b>	<b>397,884</b>	<b>408,620</b>	<b>420,387</b>	<b>396,311</b>

Assets of shareholders' operations					
Cash and cash equivalents	95,089	104,625	35,255	42,587	115,976
Time deposits	122,439	50,000	156,576	119,158	43,414
Prepaid expenses and other assets	1,158	619	1,479	1,187	723
Return on investment of statutory deposit	1,488	1,992	2,790	3,859	4,290
Available-for-sale investments	48,667	102,133	62,121	70,825	25,182
Held-to-maturity investments	25,905	37,738	36,988	49,318	46,318
Due from related parties			0	0	0
Statutory deposit	40,000	40,000	40,000	40,000	40,000
<b>Total assets of shareholders' operations</b>	<b>334,745</b>	<b>337,107</b>	<b>335,209</b>	<b>326,934</b>	<b>275,904</b>
<b>Total assets</b>	<b>850,555</b>	<b>734,990</b>	<b>743,830</b>	<b>747,320</b>	<b>672,215</b>

	2016	2017	2018	2019	2020
<b>Liabilities of Insurance operations</b>	<b>Thousand Saudi Riyal</b>				
Accounts payable	45,798	42,281	49,149	22,230	23,684
Reinsurance balances payable	36,814	29,655	21,464	36,390	29,424
Accrued expenses, and other liabilities	36,032	19,395	22,175	28,147	26,555
Unearned reinsurance commission	5,879	4,919	4,637	3,623	3,278
Gross unearned premiums	195,889	141,778	149,402	148,602	140,803
Outstanding claims	114,312	81,797	82,739	83,704	80,887
Claims incurred but not reported	71,931	61,558	55,826	64,488	59,982
Employees' end of service benefits	7,064	9,935	10,616	10,845	10,428
Due to related parties	328		313	41	0
Lease liability				6,253	4,911
Premium deficiency reserve and other reserves		3,756	10,799	15,159	15,630
<b>Total liabilities of insurance operations</b>	<b>514,048</b>	<b>395,073</b>	<b>407,119</b>	<b>419,480</b>	<b>395,581</b>
<b>Cumulative surplus</b>					
Accumulated surplus payable	1,762	3,255	1,939	1,939	2,253
Actuarial loss on defined benefit plan		444-	438-	1,033-	1,523-
<b>Total liabilities and accrued surplus</b>	<b>515,810</b>	<b>397,884</b>	<b>408,620</b>	<b>420,387</b>	<b>396,311</b>
Accrued expenses and other liabilities					
Return on investment of statutory deposits					
Zakat and income tax payable	143	451	538	544	1,656
Due to insurance operations	1,488	1,992	2,790	3,859	4,290
<b>Total liabilities of shareholders' operations of insurance operations</b>	<b>5,479</b>	<b>4,979</b>	<b>5,714</b>	<b>4,636</b>	<b>6,282</b>
Accrued expenses and other liabilities	83,345	74,636	75,413	101,987	41,910
<b>Total liabilities of shareholders' operations of insurance operations</b>	<b>90,454</b>	<b>82,057</b>	<b>84,455</b>	<b>111,026</b>	<b>54,138</b>
Equity capital	265,000	265,000	265,000	265,000	265,000
Accumulated loss	15,494-	5,303-	7,922-	50,236-	43,979-
Investment of available-for-sale revaluation reserve	5,215-	4,648-	6,324-	1,143	745
<b>Total shareholders' equity</b>	<b>244,291</b>	<b>255,049</b>	<b>250,754</b>	<b>215,907</b>	<b>221,766</b>
<b>Total liabilities and shareholders' equity</b>	<b>334,745</b>	<b>337,107</b>	<b>335,209</b>	<b>326,934</b>	<b>275,904</b>
<b>Total liabilities and accrued surplus of insurance operations and liabilities and shareholders' equity</b>	<b>850,555</b>	<b>734,990</b>	<b>743,830</b>	<b>747,320</b>	<b>672,215</b>

Statement Of Income - Insurance operations	2016	2017	2018	2019	2020
	Thousand Saudi Riyal				
Gross premiums written	419,101	314,391	350,787	332,418	346,432
Less: Reinsurance premiums ceded	125,764-	101,026-	102,895-	110,234-	96,309-
Excess of loss premiums	11,286-	6,602-	9,063-	4,803-	4,320-
<b>NET PREMIUMS WRITTEN</b>	282,051	206,763	238,830	217,381	245,802
Change in unearned premiums, net	47,527	43,772	6,745-	5,173	5,159-
<b>NET PREMIUMS EARNED</b>	329,578	250,535	232,085	222,554	240,643
Gross claims paid	347,436-	231,861-	217,984-	248,706-	228,106-
Reinsurers share of claims paid	121,987	87,965	69,249	84,835	70,620
Changes in outstanding claims, net	13,085	10,378	7,811	7,622-	977-
<b>Net claims incurred</b>	212,364-	133,518-	140,924-	171,493-	158,463-
Changes in premium deficiency reserve and other technical reserves		3,756-	7,043-	4,360-	471-
Policy acquisition costs	37,392-	27,188-	24,568-	17,622-	20,813-
Reinsurance commission earned	27,194	12,917	25,123	16,370	11,433
Other underwriting expenses					6,672-
<b>NET UNDERWRITING INCOME</b>	107,016	98,989	84,672	45,450	65,658
General and administrative expenses	106,931-	85,934-	84,571-	88,639-	58,711-
Net Profit (Loss) of Investments	3,148	1,876	1,671	1,446	1,197
<b>Total surplus / (deficit) for the year</b>	3,232	14,931	1,773	41,742-	8,144
<b>Loss for the year attributed to the shareholders</b>	2,909-	13,438-	1,595-	41,742	7,329-

Statement Of Income - Shareholders' operations	2016	2017	2018	2019	2020
	Thousand Saudi Riyal				
Income (Loss) for the year attributed to the shareholders	2,909	13,438	1,595	41,742-	7,329
Gain on sale of available for sale investments	1,339	651	1,251-	1,249	2,016
Commission income and Dividend income	7,901	4,315	6,641	7,513	4,820
Impairment loss on available for sale investment	2,453-	0	2,000-	2,898-	0
General and administrative expenses	1,249-	2,581-	1,567-	1,883-	1,908-
<b>Net income / (loss) for the year (before zakat and income tax)</b>	8,447	15,822	3,419	37,762-	12,257

7-a Below is the results of operation segments for the fiscal year ended on 31/12/2020

For The Year Ended 31 December 2020	In thousand Saudi Riyal for the fiscal year ended on 31 December 2020			
	Medical insurance	Motor	Others	Total
Gross premiums written	129,291	130,923	86,218	346,432
Less: Reinsurance premiums ceded	27,084-	0	69,225-	96,309-
Excess of loss premiums	0	1,755-	2,565-	4,320-
<b>NET PREMIUMS WRITTEN</b>	<b>102,206</b>	<b>129,168</b>	<b>14,428</b>	<b>245,802</b>
Change in unearned premiums, net	8,919	13,563-	515-	5,159-
<b>NET PREMIUMS EARNED</b>	<b>111,125</b>	<b>115,605</b>	<b>13,913</b>	<b>240,643</b>
Gross claims paid	146,077-	72,353-	9,676-	228,106-
Reinsurers share of claims paid	61,308	2,517	6,796	70,620
Changes in outstanding claims, net	5,799-	4,294	528	977-
<b>Net claims incurred</b>	<b>90,568-</b>	<b>65,543-</b>	<b>2,352-</b>	<b>158,463-</b>
Changes in premium deficiency reserve and other technical reserves	2,493-	522	1,500	471-
Policy acquisition costs	5,413-	9,229-	6,170-	20,813-
Reinsurance commission earned	0	0	11,433	11,433
Other underwriting expenses	0	1,154-	5,517-	6,672-
<b>Net Underwriting Income</b>	<b>12,650</b>	<b>40,201</b>	<b>12,807</b>	<b>65,658</b>
General and administrative expenses				58,711-
Net Profit (Loss) of Investments				1,197
<b>Total surplus / (deficit) for the year</b>				<b>8,144</b>

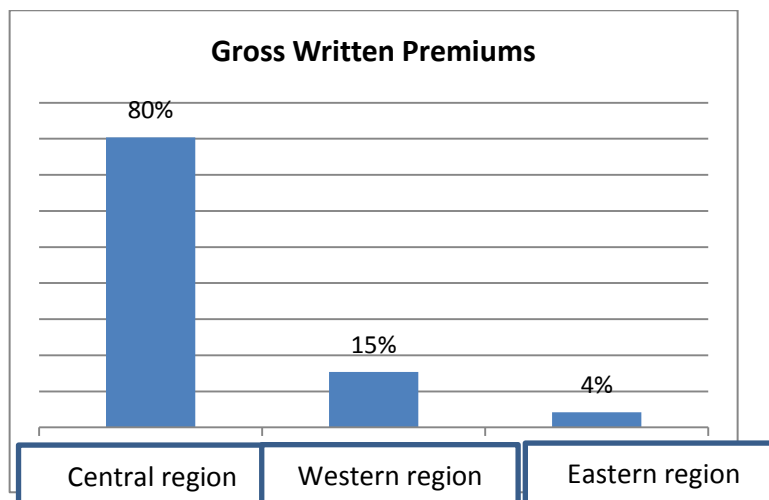
7-b Financial indicators

The following is an analytical review of the results for 2020:

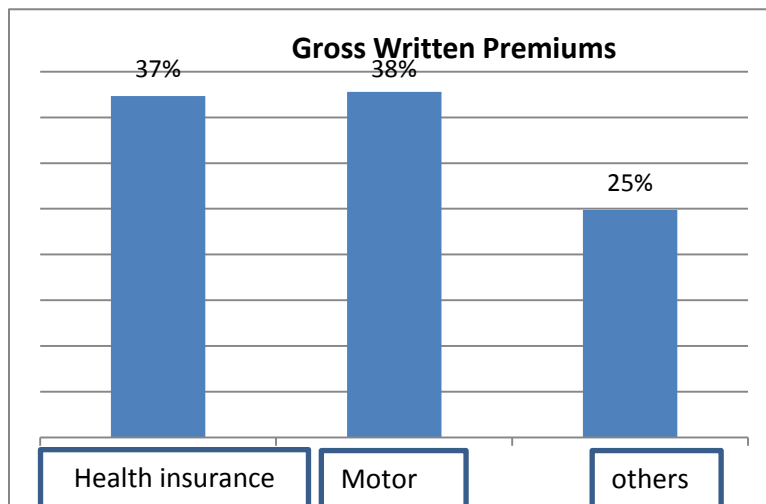
1. Net income before Zakat and Income Tax for 2020 is SAR 12,257 thousand compared to net loss before Zakat and Income Tax of SAR 37,762 thousand for 2019. The reason behind the recognition of net profit during the current year compared to net loss of the previous year is due to the decrease in net claims incurred and allowance for doubtful debts provision and general and administrative expenses and the increase in net premiums earned.
2. Net income after Zakat and Income Tax for 2020 is SAR 6,257 thousand compared to net loss after Zakat and Income Tax of SAR 42,314 thousand for 2019.

3. Profit per Share for 2020 is SAR 0.24 compared to Loss per Share SAR 1.6 for 2019 noting that Earning/loss per share calculated after Zakat and income tax.
4. Profit Insurance Operations minus Policy Holders Investments Revenues (Operations Results) is SAR 6,947 thousand compared to deficit of SAR 43,189 for 2019.
5. Gross Written Premiums for 2020 has reached SAR 346,432 thousand compared to SAR 332,418 thousand for 2019. Representing an increase of 4.2%. Net Written Premiums for 2020 has reached SAR 245,802 thousand compared to SAR 217,381 thousand for 2019. Representing an increase of by 13%
6. Net Earned Premiums for 2020 has reached SAR 240,463 thousand compared to SAR 222,554 thousand for 2019 an increase of 8.1%.
7. Net Incurred Claims reached for 2020 is SAR 158,463 thousand compared to SAR 171,493 thousand for 2019. Representing a decrease of 7.6%.
8. Net Profit of Policy Holders Investment for 2020 is SAR 1,197 thousand compared to 1,446 thousand for 2019 representing a decrease by 17.2%. Net Profit of Shareholders Capital Investment is SAR 6,836 thousand compared to 5,864 thousand for 2019 representing an increase of 16.6%.
9. Shareholders equity (no minority interest) stands at SR 221.8 million compared to SR 216 million for 2019 representing an increase of 2.7%.
10. Accumulated losses as of the end of the year stand at SR 44 million representing 16.6% from the capital.

**7-c Below is a geographical analysis of the gross written premiums as per the Kingdom's regions, noting that the company does not have any revenues from subsidiary companies outside the Kingdom:**



7-d below is the total distribution of the gross written premiums as per production segment



#### 7-e Accounting standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for Certified Public Accountants, the Companies Law and the Company's Articles of Association.

On 23 July 2019, the Saudi Central Bank issued directives to insurance companies in the Kingdom of Saudi Arabia to calculate zakat and income taxes in the income statement, thus it is in line with International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board.

In accordance with the requirements of insurance regulations in the Kingdom of Saudi Arabia, the company must maintain separate accounts for each of the insurance operations and shareholder operations and the financial statements are presented accordingly. The assets, liabilities, as well as revenues and expenses of each activity are recognized in the accounts related to that activity. The basis for allocating expenses related to joint operations is determined and approved by the company's management and the Board of Directors.

The financial statements are prepared on the going concern basis and on the historical cost approach, except for available-for-sale investments where they are measured at fair value and the employees' end of service benefits are measured at current value. The financial position statement is not displayed using the current/non-current classification. Nevertheless, the following balances are generally classified in general as current: cash and cash equivalents, insurance premiums receivable, reinsurance receivables, investments, deferred underwriting costs, prepaid expenses, other assets, accounts payable, reinsurers' receivables, outstanding claims, accrued expenses, other liabilities, provision for zakat, taxes, distribution of the surplus due and unearned insurance premiums, reimbursed share of unearned premiums, and deferred subscription

costs and the unearned commission income. On the other hand, the following balances are generally classified as non—current: end of service indemnities, statutory deposit, returns on statutory deposit, commission income payable to the Saudi Central Bank, and the claims incurred but not reported, the net property and equipment.

#### 8) Subsidiaries

There are no subsidiaries of Arabia Insurance Cooperative Company, and therefore there are no details on the shares and debt instruments issued for each subsidiary.

#### 9) Investments or Reserves established for Company employees' interest

There are no investments or reserves established for the benefit of the company's employees, except for the end of service benefits.

#### 10) Contracts and transactions with related parties in 2020

The company confirms that there are no commercial contracts for members of the board of directors or companies in which they have an interest, directly or indirectly, with the exception of the following insurance policies, and that these policies were priced on purely commercial basis without prices, conditions, or preferential services than the rest of the company's customers and according to the normal procedures, and there is no cases of potential conflict of interest, as follows:

<u>Description of related parties for the year 2020</u>			
<u>Company / party</u>	<u>Nature of the contract</u>	<u>Contract term</u>	<u>Amount in Saudi Riyal</u>
The Arab Supply's Trading Company (ASTRA)	Insurance policies	One year	177,247
Abdulhadi bin Abdullah Alqahtani Co.	Insurance policies	One year	5,352,897
Mr. Abdulaziz bin Abdulhadi Alqahtani	Insurance policies	One year	183,477
Mr. Abdulaziz Saleh Aloamir	Insurance policies	One year	584,758
Mr. Abdulrahman Mohammad Alangri	Insurance policies	One year	33,951
<b>Total</b>	<b>6,332,331</b>		

The following balances resulted from the transactions with the above related parties as on 31 December 2020:

Company/ Party	Amount in Saudi Riyal	Nature of the balance
Board members and the companies they represent	877,120	Debtor
Arabia Insurance Company - shareholder	9,652	Debtor
Jordan Insurance Company - shareholder	83,346	Debtor
Reinsurance liability due from the Jordan insurance company - shareholder	546,767	Debtor

Transactions with related parties resulted insurance claims amounting to SAR 1,616,634 for the members of the board of directors and the companies they represent, reinsurance operations of SAR 14,239 in net for Jordan Insurance Company (shareholder), and expenses paid by Arabia Insurance Company - Lebanon (shareholder) on behalf of the Company amounting of SAR 41,196.

#### **11) Activities or contracts where Company was a party and had interest for CEO or CFO, or any person relative to them**

The company declares that there are no businesses or contracts in which the company was a party and that has an interest for the CEO, the CFO, or any person related to any of them, with the exception of vehicle insurance policies, for a period of one year, of the General Manager, Mr. Ziyad Al-Rubaish, with a value of 2,250 Saudi riyals, and the CFO Mr. Hussain Al-Rashed, with a value of 5,590 Saudi riyals, noting that these policies were issued within the normal activities of the company.

#### **12) Board of Directors and its Committees**

##### **First: The Board of Directors**

The Board of Directors of the company consists of seven members, including the Chairman of the Board of Directors. The members of the Board of Directors were appointed by the Ordinary General Assembly that was held on 03/07/1441 H, corresponding to 27/02/2020 for a period of three years as of 27/02/2020 until 26/02/2023, and the company has followed the cumulative voting method in electing members.

After obtaining the approval of the Saudi Central Bank, the Board decided on Thursday 25/11/1441 H corresponding to 16/06/2020 to appoint Mr. Abdulaziz bin Abdulhadi bin Abdullah Alqahtani (non-executive) as the Chairman of the Board of Directors, and to appoint Dr. Abdulrahman Mohammad bin Nasser Alangri (Independent) as the Deputy Chairman of the Board of Directors. On Thursday 25/11/1441 H corresponding to 16/07/2020, the Board decided to form the emanating committees, as follows: the Executive Committee, the Nominations and Remuneration Committee, the Investment Committee and the Risk Management Committee.

The Board of Directors exercises its duties and responsibilities in accordance with the Company's Articles of Association and the laws, rules and regulations issued by all regulatory authorities in the Kingdom, including the Companies Law, the Cooperative Insurance Companies Control Law and its implementing regulations, the Corporate Governance Regulations issued by the Capital Market Authority, the Insurance Company Governance Regulations and the Company's internal regulations. The Board of Directors prepares and reviews guides of policies and procedures that will ensure company compliance with the laws and regulations issued

by all the regulatory authorities that regulate the business of the company, and the company constantly trains its employees to apply these guides.

**a) Names of BOD members, their current and previous positions, their qualifications and experience**

Ser.	Name	Membership in committees	Current jobs	Previous jobs	Qualifications	Experiences
1	Abdulaziz bin Abdulhadi bin Abdullah Al Jadghi Alqahtani	The Nomination and Remuneration Committee The Investment Committee	Chairman of the Board of Directors and a member of the Nominations and Remuneration Committee of Arabia Cooperative Insurance Company. Chairman and member of the Board of Directors of the following companies: Sons of Abdul Hadi Abdullah Al-Qahtani Holding Group Abdul Hadi Abdullah and Partners Company for marine and petroleum services Abdulhadi Abdullah Al-Qahtani & Sons Beverage Industry Ltd. Al Maha Trading and Contracting Company. Gulf Salt Industry Company Ltd. Al-Qahtani Fisk Company. Gulf Business Network Group Company.	Member of the Board of Directors of Arbah Capital Company	Bachelor's degree in Business Administration from Portland Oregon University, United States of America	Experience in marine and petroleum services, electrical and communications work, food industries, contracting, environmental services, mining, and financial services
2	Mohammed bin Ibrahim Al-Mangour	Risk Management Committee and Investment Committee	Member of the Board of Directors of Arabia Cooperative Insurance Company. Member of the Risk Management Committee and the Investment Committee of Arabia Cooperative Insurance Company Director of Investment in the National Housing Company	Commercial Director at Parsons Saudi Arabia Company Ltd. Director of Investment in Malaz Capital Company. Senior Manager at the Saudi Hollandi Financial Company. Assistant Director at the Saudi Hollandi Bank, Internal Audit at the Capital Market Authority.	Bachelor's degree in Financial Management from Prince Sultan University. Certified Public Accountant Certificate in the United States of America	Experience in the banking, investment and financial sectors and financial markets.
3	Abdulaziz bin Saleh Al-Omar	Executive committee. Nomination and Remuneration Committee. More about this source text	Member of the Board of Directors, Chairman of the Nominations and Remuneration Committee, and a member of the Executive Committee of Arabia Cooperative Insurance Company. CEO of Wasl Commercial Investments Company Member of the Board of Directors of Maceen Capital Company. Member of the Board of Directors and member of the	Regional President for the Central and Eastern Region - Marketing for corporations and major clients of Al Rajhi Capital. Vice President - Private Equity Funds in Al Rajhi Capital. Investor Relations Officer at R Capita Bank, Bahrain	Bachelor's degree in Business Administration from Webster University, Geneva, Switzerland	Experience in banking and financial services.

			Executive Committee and the Risk Committee of Bidaya Home Finance Company. Member of the Board of Directors of the Innovation Fund Company. Member of the Board of Directors at Food Concepts Company.			
4	Abdulrahman bin Mohammed Al-Angari	The Audit Committee and the Nomination and Remuneration Committee	Vice Chairman and Chairman of the Audit Committee Executive Director - Unas Corporation for Contracting and Technical Consulting	Chairman of the Committee for the Development of Public Transport in Makkah Al-Mukarramah Region - Member of the Makkah Region Council, representing the Ministry of Transport Member of the Central Committee for the Business Development of the Ministry of Communications. Vice-Chairman of the Highways Allocation Committee in the Kingdom in cooperation with the World Bank. Chairman of the Committee for the Development of the Railways Network in the Kingdom in cooperation with the World Bank. Adviser to the Board of Directors of the General Corporation for Railways Adviser to the Minister of Transport. CEO of Unas	PhD in Urban Design and Urban Planning - University of Edinburgh - United Kingdom. Master of Urban Design - University of New South Wales - Sydney - Australia. Bachelor of Architecture - King Saud University	Experience in the fields of engineering, planning and transportation.
5	Ghassan Ibrahim Faris Akeel	Risk Management Committee. Investment Committee	Member of the Board of Directors and Chairman of the Risk Management Committee and the Investment Committee of Arabia Cooperative Insurance Company. Member of the Board of Directors of Banque du Caire in Amman.	Director of Audit and Financial Consulting at Arthur Andersen & Partners. Financial Director at the Arab Supply and Trade Company. Executive Vice President at the Arab Supply and Trade	Master's degree in Business Administration from Thunderbird University in Arizona, USA. Bachelor's degree in Accounting from the University of Jordan in Amman, Jordan Certified Public	Experience in the areas of financial services, banking, industry, trade, and investment

			<p>CEO of the Arab Company for Supply and Trade.</p> <p>Member of the Board of Directors of Istra Industrial.</p> <p>Member of the Board of Directors of the National Aviation Ground Support Company.</p>	Company.	Accountant Certificate in the United States of America	
6	<b>Othman (Muhammad Ali) Othman Bedair</b>	<b>Executive Committee. Risk Management Committee . More about this source text</b>	<p>Member of the Board of Directors and member of the Executive Committee and Risk Management of the Arabia Cooperative Insurance Company.</p> <p>Chairman of the Board of Directors of the Jordan Insurance Company.</p> <p>Member of the Investments Committee of the Jordan Insurance Company.</p> <p>Member of the Board of Directors of the Associated Investment Company - Jordan.</p> <p>Member of the Board of Directors of Asia Insurance Company - Kurdistan - Iraq</p> <p>Member of the Board of Directors of the Jordan Electricity Company.</p>	Member of the Board of Directors of the National Company for the Production of Oil and Electric Power from Oil Shale in Jordan	<p>Bachelor's degree in Business Administration from Tennessee University in the United States of America.</p> <p>Bachelor's degree in Civil Engineering from Tennessee University, United States of America</p>	Experience in the fields of insurance, industry, mining, investment, electricity, brokerage and investment.
7	<b>Munir Boutros Muasher</b>	<b>Executive committee. Nomination and Remuneration Committee.</b>	<p>Member of the Board of Directors, Chairman of the Executive Committee, and member of the Nomination and Remuneration Committee of the Arabia Cooperative Insurance Company.</p> <p>Senior Vice President - Director of Insurance Business Department at Arab Bank - Jordan</p> <p>- Chairman and Chairman of the Audit Committee of Arabia Insurance Company - Jordan.</p> <p>Member of the Board of Directors and Chairman of the Audit Committee of Arabia Insurance Company Falcon - Oman.</p> <p>Member of the Board of Directors and Chairman of the Audit Committee of the Jordan Shipping Lines Company. Jordan.</p>	<p>Chairman of the Board of Directors at Al-Nisr Al-Arabi Insurance Company - Jordan.</p> <p>Member of the Board of Directors of Arabia Insurance Company in Lebanon.</p> <p>CEO of Arabia Insurance Company in Lebanon.</p>	<p>Bachelor's degree in Accounting from Al-Ahliyya Amman University in Jordan</p> <p>And a Diploma in Insurance from the Chartered Insurance Institute in London - United Kingdom.</p>	Experience in insurance and management fields.

**b) Formation Of The Board of Directors and classification of its members during the financial year ended on 31 December 2020 AD**

Ser	Member name	Position	Classification of membership	Representative of
1	Abdulaziz bin Abdul Hadi Al-Jadhi Al-Qahtani	Chairman of Board	Non-Executive	-
2	Abdulrahman bin Mohammed Al-Angari	Vice Chairman	Independent	-
3	Abdulaziz bin Saleh Al-Omair	Member of Board	Independent	-
4	Mohammed bin Ibrahim Al-Mangour	Member of Board	Independent	-
5	Ghassan Ibrahim Akeel	Member of Board	Non-Executive	Arab Supply and Trade Company - Saudi Arabia
6	Othman (Muhammad Ali) Othman Bedair	Member of Board	Non-Executive	Jordan Insurance Company Plc (Jordan)
7	Munir Boutros Ibrahim Muasher	Member of Board	Non-Executive	The Arab Company S.A.L. (Holding Company) (Lebanon)

**c) Names of companies inside or outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or of its managers**

Ser.	Member name	Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability)	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside / Outside the Kingdom	Legal Entity (Listed Joint Stock / Unlisted Joint Stock / Limited Liability)
1	Abdulaziz bin Abdul Hadi Al-Jadhi Al-Qahtani	Arabia cooperative insurance Company Sons of Abdul Hadi Abdullah Al-Qahtani Holding Group Abdul Hadi Abdullah and Partners Company for marine and petroleum services Abdulahdi Abdullah Al-Qahtani & Sons Beverage Industry Ltd. Al Maha Trading and Contracting Company. Gulf Salt Industry Company Ltd. Al-Qahtani Fisk Company. Gulf Business Network Group Company.	Inside the kingdom	Listed joint stock Company Unlisted joint stock Company  Limited Liability Company Limited Liability Company Limited Liability Company Unlisted joint stock Company Limited Liability Company Limited Liability Company	Arbah Capital Company	Inside the kingdom	Unlisted joint stock Company
2		Arabia Insurance Cooperative Company Abu Moati Company for Libraries. Arabian Sea Company Venture Capital and Private Equity Association	Inside the kingdom	Listed joint stock Company Listed joint stock Company Listed joint stock Company Unlisted professional Company	Kasb Capital Samba financial group	Inside the kingdom	Unlisted joint stock Company Listed joint stock Company

3	Abdulaziz bin Saleh Al-Omair.	Arabia Cooperative Insurance Company. Wasl Commercial Investments Company Maceen Capital Company. Bidaya Home Finance Company. Food Concepts Company. Innovation Fund Company	Inside the kingdom	Listed joint stock Company Limited Liability Company unlisted joint stock Company unlisted joint stock Company Limited Liability Company Limited Liability Company			
4	Abdulrahman bin Mohammed Al-Anqari	Arabia Insurance Cooperative Company Unas Corporation for Contracting and Technical Consulting	Inside the kingdom	listed joint stock Company Limited Liability Company			
5	Ghassan Ibrahim Faris Akeel	Astra Industrial Group Vettel Holding Company Arabia Insurance Cooperative Company National Ground Support Company Cairo Amman Bank Development Company for Iron Industry Odicia Capital Astra Food	Inside the kingdom outside the kingdom Inside the kingdom outside the kingdom outside the kingdom outside the kingdom Inside the kingdom	listed joint stock Company Limited Liability Company listed joint stock Company listed joint stock Company Limited Liability Company listed joint stock Company Limited Liability Company Limited Liability Company Closed joint stock	Director of Audit and Financial Consulting at Arthur Andersen & Partners. Financial Director at the Arab Supply and Trade Company. Executive Vice President of the Arab Company for Supply and Trade.	Outside the kingdom  Inside the kingdom  Inside the kingdom	Solidarity Limited Liability Company Limited Liability Company
6	Othman (Muhammad Ali) Othman Bedair	Arabia Insurance Cooperative Company Jordan Insurance Company Jordan Electricity Company	Inside the kingdom Outside the kingdom Outside the kingdom	listed joint stock Company Public joint stock Company Public joint stock Company	The National Company for the Production of Oil and Electric Power from Shale	Outside the kingdom	listed joint stock Company

		Interconnected Investment Company Asia Insurance Company	Outside the kingdom Outside the kingdom	Public joint stock Company  Private joint stock Company			
7	Munir Boutros Muasher	Arabia Insurance Cooperative Company Arabia Insurance Company Jordan Arabia Falcon Insurance Company - Oman Jordan Shipping Lines Company Jordan Group of Maritime Agencies	Inside the kingdom Outside the kingdom Outside the kingdom Outside the kingdom Outside the kingdom	Listed joint stock Company Public joint stock Company Public joint stock Company Public joint stock Company Public joint stock Company Limited Liability Company	Al-Nisr Al-Arabi Insurance Company - Jordan. Arabia Insurance Company – Lebanon	Outside the kingdom	Public joint stock Company

**d) Number and record of attendance of Board of Directors meetings for the financial year ended on 31/12/2020 AD.**

Ser.	Member name	First meeting 27/02/2020	Second meeting 30/06/2020	Third meeting 06/09/2020	Fourth meeting 15/09/2020	Fifth meeting 09/12/2020
1	Abdulaziz bin Abdul Hadi Al-Jadhi Al-Qahtani	Attended	Attended	Attended	Attended	Attended
2	Abdulrahman bin Mohammed Al-Anqari	Attended	Attended	Attended	Attended	Attended
3	Abdulaziz bin Saleh Al-Omair	Did not attend	Attended	Attended	Attended	Attended
4	Mohammed bin Ibrahim Al-Mangour	Did not attend	Attended	Attended	Attended	Attended
5	Ghassan Ibrahim Akeel	Attended	Attended	Attended	Attended	Attended
6	Othman (Muhammad Ali) Othman Bedair	Attended	Attended	Attended	Attended	Attended
7	Munir Boutros Ibrahim Muasher	Attended	Attended	Attended	Attended	Attended

e) A penalty or a precautionary restriction or a penalty imposed on any of the members of the Board of Directors from any judicial, supervisory or regulatory authority related to the company:

**There is no penalty, precautionary restriction, or penalty imposed on any of the members of the board of directors from any judicial, supervisory or regulatory authority related to the company.**

## Second: Board of Directors committees

In accordance with the provisions of the Companies Law, the Corporate Governance Regulations issued by the Capital Market Authority, the Insurance Company Governance Regulations, and the Company's Articles of Association, committees of the Board of Directors have been formed from members of the Board of Directors and not members of the Board of Directors and approve their work regulations, in order to help the Board of Directors of the company in managing the company in a highly effective and efficient manner. Complete.

### **1- The current and previous positions of committee members from outside the board of directors, their qualifications and experiences**

Ser.	Name	Current jobs	Previous jobs	Qualification	Experiences
1	Abdul Ilah bin Muhammad bin Muammar	Member of the Audit Committee of the Arab Cooperative Insurance Company Executive Director - Institutional Finance Thiqah Business Solutions Company	General Manager of Investment and Governance at the Saudi Aircraft Construction and Maintenance Company -Director General of the Financial Department at the Saudi Aircraft Preparation and Maintenance Company -Financial Director of the Saudi Company for Technical and Security Comprehensive Control (Control) -Credit analyst at the Industrial Development Fund	-Master's degree in Business Administration - New York University - United States of America Bachelor's degree in Business Administration - Financial Management from King Saud University	Experience in the areas of finance, investment and governance.
2	Mishary bin Salman Al-Sahim	Member of the Audit Committee of the Arab Cooperative Insurance Company. Owner of Al-Sahim Chartered Accountants office	Director of Financial Control at Al-Inma Investment Company Auditor at Ernst & Young. Accountant at Dar Al-Arkan Real Estate Company	Bachelor's degree in Accounting from King Saud University. Master of Science in Management from the United States of America	Experience in the fields of accounting, finance and auditing.

**Current and previous positions of committee members from within the board of directors, their qualifications and experiences:**

The CVs of the members of the committees from within the board of directors, which include their current and previous positions, qualifications and experiences, as stated on page No. (20) to page No. (26).

**a) Audit Committee**

(A-1) The Audit and Approval Committee was formed for its tasks, work controls and members' remuneration for the new Board session, which began on 27/02/2020 for a period of three calendar years at the Ordinary General Assembly meeting held 20/08/2020.

In 2017, the assembly approved the audit committee's work bylaw in implementation of the provisions of the updated corporate governance regulation, and the functions of the audit committee are in accordance with the provisions of the companies law, the corporate governance regulation, the audit committees' regulations issued by the Saudi Central Bank in addition to the internal corporate governance regulation and the committee's work regulations, the Audit includes, but is not limited to, the following:

- Supervising the internal audit department in the company, in order to verify its effectiveness in carrying out the work and tasks assigned to it by the board of directors.
- Study the internal control system and draw up a written report on its opinion and recommendations regarding it.
- Examining the internal audit reports and following up on the implementation of corrective actions for the observations contained therein.
- Recommending to the Board of Directors to appoint and dismiss the external auditors and determine their fees, and insuring their independence.
- Follow up on the work of the External Auditors, and approve any work outside the scope of the audit work they are assigned.
- Study the audit plan with the External Auditors and raise observations.
- Studying the External Auditors observations on the financial statements and following up on what was done about them.
- Study the interim and annual financial statements before submitting them to the Board of Directors and express opinion and recommendation in this regard.
- Study the accounting policies used and give opinion and recommendation to the Board of Directors in this regard.

**(A-2) Names of Audit Committee members**

Ser.	Member name	Position	Capacity of membership in the BOD
1	Abdulrahman bin Mohammed Al-Angari	Chairman of the Committee	Independent
2	Mishary bin Salman Al-Sahim	Member of of the Committee	From outside the Board of Directors
3	Abdul Ilah bin Muhammad bin Muammar	Member of of the Committee	From outside the Board of Directors

**(A-3) Number and record of attending the audit committee meetings during the year 2020:**

Ser.	Member name	First meeting 23/08/2020	Second meeting 03/09/2020	Third meeting 09/09/2020	Fourth meeting 15/10/2020	Fifth meeting 28/10/2020	Sixth meeting 08/11/2020
1	Abdulrahman Al-Anqari	Attended	Attended	Attended	Attended	Attended	Attended
2	Mishary Al-Sahim	Attended	Attended	Attended	Attended	Attended	Attended
3	Abdullah bin Muammar	Attended	Attended	Attended	Attended	Attended	Attended

## Second: Board of director's Committees:

In application of the provisions of Companies Articles of Incorporation, the Company's Governance Bylaw issued by the Capital Market Authority, Insurance Company Governance Bylaw, and the Company's Articles of Incorporation, committees of Board of Directors have been formed from members of the Board of Directors and members are not included in Board of Directors and approve their work Bylaw, in order to help Board of Directors of the company in managing the company in a highly effective and efficient manner.

1-Current and previous positions of committee members who are not among board of directors, and their qualifications and experiences.

no.	Name	Current positions	Previous Positions	Qualifications	Experiences
1	Abdullah bin Mohamed bin Muammar	-Member of Audit Committee of Arab Cooperative Insurance Company -Executive Director Institutional Finance Thiqah Business Solutions Company	-General Manager of Investment and Governance at Saudi Aircraft Construction and Maintenance Company - Director General of Financial Department at Saudi Aircraft Preparation and Maintenance Company - Financial Director of Saudi Company for Technical and Security Comprehensive	- Master's degree of Business Administration - New York University - United States of America - Bachelor's degree of Business Administration - Financial Management - King Saud University	Experience in the areas of finance, investment and governance.

			Control - Credit analyst at the Industrial Development Fund		
2	Mashary bin Salman Al-Sahim	Member of Audit Committee of Arab Cooperative Insurance Company. - Owner of Al-Sahim legal Accountants firm	- Director of Financial Control for Al-Inma Investment Company - Auditor at Ernst & Yough. Accountant for Dar Al-Arkan Real Estate Company	Bachelor's degree of Accounting - King Saud University. Master of business administration - United States of America	Experience in the fields of accounting, finance and auditing.

2- Current and previous positions of committee members from board of directors, their qualifications and experiences:

The CVs of members of committees from board of directors, which include their current and previous positions, qualifications and experiences, as set out from page No. (16) to page No. (20).

(A) Audit Committee:

(A - 1) Audit and Approval Committee was formed according to its tasks, work controls and members 'remuneration for the new Board of directors, which began on 27/02/2020 AD for a period of three calendar years at the Ordinary General Assembly meeting held on 09-09-1438 AH corresponding to 20-08- 2020 AD,

In 2017, General Assembly approved the audit committee's work bylaw in implementation of the provisions of the updated company's governance bylaw, and functions of the audit committee are in accordance with the provisions of the Company's Articles of Incorporation, the company's governance bylaw, audit committees' bylaw in insurance companies issued by Central Bank of Saudi Arabia in addition to the internal company's governance bylaw and bylaw of work of the audit committee, including but not limited to the following:

-Supervising internal audit department in the company, in order to verify its effectiveness in carrying out work and tasks assigned to it by board of directors.

-Study internal control system and draw up a written report regarding its opinion and recommendations.

- Study internal audit reports and follow up on the implementation of corrective measures for the observations contained therein.
- Recommending Board of Directors to appoint and dismiss the external auditors and determine their fees, and ensuring their independence, when recommending appointment,
- Following up work of the External Auditors, and approving any work outside the scope of auditing that they are assigned.
- Study audit plan with the External Auditors and make observations.
- Studying the External Auditors' observations on financial statements and following up what was done about them.
- Studying preliminary and annual financial statements before submitting them to Board of Directors and expressing opinion and making recommendation in this regard.
- Studying accounting policies used and expressing opinion and making recommendation regarding them to Board of Directors.

**(A-2) Names of members of Audit Committee:**

Serial No.	Name of the Member	position	Member's capacity of the Board of Directors
1	Abdulrahman bin Mohamed Al-Anqari	Chairman of Committee	independent
2	Mashary bin Salman Al-Sahim	Committee member	Not member of board of directors
3	Abdullah bin Mohamed bin Muammar	Committee member	Not member of board of directors

**A-3) Number and record of attendance of audit committee meetings during 2020:**

Serial No.	Name of member	First meeting 23/8/2020	Second meeting 3/9/2020	Third meeting 9/9/2020	Fourth meeting 15/10/2020	Fifth meeting 28/10/2020	Sixth meeting 8/11/2020
1	Abdulrahman Al-Angari	Attended	Attended	Attended	Attended	Attended	Attended
2	Mashary Ashaim	Attended	Attended	Attended	Attended	Attended	Attended
3	Abdullah bin Muammar	Attended	Attended	- Attended	Attended	Attended	Attended

### **(B) Nomination and Remuneration Committee:**

Nominations and Remuneration Committee was formed by a decision of Board of Directors after obtaining a non-objection certificate from Saudi Central Bank, and tasks of Nominations Committee are in accordance with the provisions of the relevant laws, bylaws and instructions and work bylaw of Nominations and Remuneration Committee, including, but not limited to, the following:

- Recommending Board of Directors to nominate members of the Board, in accordance with the approved policies and standards, taking into account not to nominate any person previously convicted of a crime that violates honor and trust.
- Annual review of required needs of appropriate skills for members of Board of Directors, and preparation of a description of the capabilities and qualifications required for membership of Board of Directors, including determining time that the member must devote to work with Board of Directors.
- Reviewing structure of Board of Directors, and making recommendations regarding changes that can be made.
- Identifying weaknesses and strengths of Board of Directors, and proposing remedies in accordance with the company's interest.
- Ensure, on an annual basis, that independent members are really independent, and that there is no conflict of interest if a member is a member of board of directors of another company.
- Establishing and reviewing clear compensation and remuneration policies for members of Board of Directors and senior executives, taking into account when setting these policies use of performance-related standards.
- Recommending Board of directors on matters related to nominations and remuneration.

### **(B-2) Names of members of Nomination and Remuneration Committee.**

Serial No.	Name of the Member	Position	Member's capacity of the Board of Directors
1	Abdulaziz bin Saleh Al-Omair	Chairman of Committee	independent
2	Abdulrahman bin Mohammed Al-Angari	Committee member	independent
3	Abdulaziz bin Abdul Hadi Al-Qahtani	Committee member	Non executive
4	Munir Boutros Muasher	Committee member	Non executive

**(B-3) Number and record of attendance of Nomination and Remuneration Committee meetings during 2020:**

Serial No.	Name of the Member	First meeting 23/8/2020	Second meeting 3/9/2020
1	Abdulaziz bin Saleh Al-Omair	Attended	Attended
2	Abdulaziz bin Abdul Hadi Al-Qahtani	Attended	Attended
3	Abdulrahman bin Mohammed Al-Angari	-	Attended
4	Munir Boutros Muasher	Attended	Attended

**(C) The Executive Committee:**

(C- 1) Executive Committee was formed by a decision of Board of Directors, taking into account any instructions laid down by Saudi Central Bank or drawn up by Board of Directors or relevant rules, bylaws and instructions. Executive Committee exercises all powers decided by the institution or Board of Directors, and Executive Committee cooperates with Managing Director or Director General within the limits of powers assigned to it. Executive Committee makes recommendations to Board of Directors on various topics such as strategic and business plans. Board of Directors delegates the Executive Committee to carry out its duties in some cases.

**(C-2) Names of the members of the Executive Committee.**

Serial No.	Name of the Member	position	Member's capacity of the Board of Directors
1	Munir Boutros Muasher	Chairman of Committee	Non executive
2	Othman Muhamed Ali Badir	Committee member	Non executive
3	Abdulaziz Saleh Al-Omair	Committee member	Independent

**(C-3) Number and record of attendance of Executive Committee meetings during year 2020:**

Serial No.	Name of the Member	First meeting 19/7/2020	Second meeting 6/9/2020	Third meeting 15/9/2020	Fourth meeting 27/10/2020	Fifth meeting 30/11/2020	Sixth meeting 7/12/2020
1	Munir Boutros Muasher	Attended	Attended	Attended	Attended	Attended	Attended
2	Abdulaziz Saleh Al-Omair	Attended	Attended	Attended	Attended	Attended	Attended
3	Othman Muhammad Ali Badir	Attended	Attended	Attended	Attended	Attended	Attended

(D) Investment Committee:

(D-1) Tasks of Investment Committee are summarized in developing strategic plans for company's investments and ensuring their compliance with the provisions of the bylaws and regulations issued by the supervisory authorities, including investment bylaw issued by Saudi Central Bank, formulating and preparing investment policy, reviewing its performance and implementing it on an annual basis. Investment Committee also monitors performance of the company's investments, determining the investment objectives, and setting the necessary plans for investment.

(D-2) Names of the members of the Investment Committee:

Serial No.	Name of the Member	Position	Member's capacity of the Board of Directors
1	Ghassan Ibrahim Akeel	Chairman of Committee	Non executive
2	Abdulaziz bin Abdul Hadi Al-Qahtani	Committee member	Non executive
3	Mohamed bin Ibrahim Al-Mangour	Committee member	Independent

(D-3) Number and record of attendance of investment committee meetings during year 2020.

Serial No.	Name of the Member	First meeting 20/7/2020	Second meeting 10/9/2020	Third meeting 27/10/2020	Fourth meeting 9/12/2020
1	Ghassan Ibrahim Akeel	Attended	Attended	Attended	Attended
2	Abdulaziz bin Abdul Hadi Al-Qahtani	Attended	Attended	Attended	Attended
3	Mohamed bin Ibrahim Al-Mangour	Attended	Attended	Attended	Attended

(E) Risk Management Committee

(E-1) The tasks of the Risk Committee are summarized in assisting the Board of Directors and senior management in the process of identifying, limiting and monitoring the risks that the company is exposed to continuously, and maintaining an acceptable level of risk for the company. In addition to working on designing a comprehensive risk management strategy and following up on its implementation, reviewing and updating it based on the variables. The company also supervises the risk management system, evaluates its effectiveness, and makes recommendations to the Board on issues related to risk management.

(E-2) Names of the Members of the Risk Management Committee:

SR No.	Member's Name	Position	Membership capacity in the Board of Directors
1	Ghassan Ibrahim Akeel	Committee member	Non-executive
2	Othman Mohammad Ali Bedair	Committee member	Non-executive
3	Mohammad bin Ibrahim Al Mangour	Committee member	Independent

(E-3) The number and attendance record of Risk Management Committee's Meetings during the year 2020

SR No.	Member's Name	First Meeting 20/07/2020	Second Meeting 01/09/2020	Third Meeting 30/11/2020	Fourth Meeting 07/12/2020
1	Ghassan Ibrahim Akeel	Attended	Attended	Attended	Attended
2	Othman Mohammad Ali Bedair	Attended	Attended	Attended	Attended
3	Mohammad bin Ibrahim Mangour	Attended	Attended	Attended	Attended

**13) Names of members of the executive management, their current and previous positions, qualifications and experience:**

SR No.	Name	Current Position	Previous Position	Qualifications	Experience
--------	------	------------------	-------------------	----------------	------------

1	Ziyad bin Mohammed Al-Rubaish	General Manager at Arabian Insurance Cooperative Company (AICC)	<p>Deputy General Manager at AICC</p> <p>Director of the Compliance Department at AICC</p> <p>Director of Legal and Shareholders' Affairs at AICC</p> <p>Legal advisor and head of the insurance team at the Saudi Industrial Development Fund</p> <p>Lawyer and legal advisor</p>	<p>Higher Diploma in Commercial Law and Insurance Law from Swansea University, United Kingdom.</p> <p>And a Bachelor's degree in Law from the Jordan University</p> <p>Postgraduate Diploma in Law from Bournemouth Business School International in the United Kingdom.</p> <p>Certificates specializing in insurance</p>	Experience in the areas of commercial law, industry, insurance and finance
2	Adel bin Saleh Al Faraj	Director of Human Resources and Administration Affairs.	Human Resources Director - Saudi Chemical Company.	<p>Bachelor's degree from King Saud University</p> <p>International professional certificates specialized in the field of human resources.</p>	Practical and professional experience in all roles and tasks of human resources management in the field of insurance, petrochemical industries, and health services.
3	Hussein Abd Al Mohsen Rashed	Financial Manager at AICC	<p>*Executive Financial Director - Al-Ahlia Cooperative Insurance Company</p> <p>* Director of Accounting Department - Al-Ahlia Cooperative Insurance Company</p> <p>* Head of Accounts - Al-Ahlia Cooperative Insurance Company</p> <p>* Accountant of the head office – Al Alamiya Cooperative Insurance</p>	<p>Master's degree in accounting from the United States of America</p> <p>Bachelor's degree in Accounting from King Faisal University</p> <p>Certificate of Fundamentals of Insurance</p>	Experience in the fields of finance, accounting, insurance and auditing

			* Assistant Auditor - Ernst and Young, Head of Technical Accounts Departments at the Arab Reinsurance Company		
4	Khalid Jad Hawwa	Director of the Technical and Reinsurance Department at AICC	Head of the technical accounts departments in the Arab Reinsurance Company	<p>Bachelor of Business Administration</p> <p>Master of Business Administration</p> <p>Master of Public Health</p> <p>Advanced specialized courses in the field of insurance and reinsurance</p>	Experience in the fields of insurance and reinsurance
5	Saud bin Ahmad Al Manae	Claim Department Manager	<p>Director of Motor Claims and General Insurance - Central Region, Director of Service Providers Department, and Director of Compliance and Quality at Tawuniya Insurance Company.</p> <p>Claims Manager (General, Motor and Medical Insurance) at Allianz Saudi Fransi.Co.- Director of claims department (general, auto and medical insurance) in the Al Alamiya Cooperative Insurance Company</p>	<p>Diploma in Insurance from the Chartered Insurance Institute in London, UK.</p> <p>Diploma in Claims Processing from the Chartered Insurance Institute in London, UK.</p> <p>Bachelor's degree in Agricultural Sciences from King Saud University.</p>	Experience in the field of insurance

**14) A description of any interest, contractual securities and subscription rights belonging to members of the Board of Directors, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries, and any change in that interest or those rights during the fiscal year 2020:**

**(14-a) Members of the Board of Directors and their Relatives:**

SR No.	Stakeholder	Beginning of year		End of year		Net variation	Variation ratio
		Shares	Debt instruments	Shares	Debt instruments		
1	Abd Al Aziz bin Abd Al Hadi Qahtani	29150	None	29150	None	None	None
	Wife and minor sons	None	None	None	None	None	None
2	Mohammad bin Ibrahim Mangour	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
3	Abdulaziz bin Saleh Omar	662	None	662	None	None	None
	Wife and minor sons	None	None	None	None	None	None
4	Abd Al Rahman bin Mohammad Anqari	1000	None	1000	None	None	None
	Wife and minor sons	None	None	None	None	None	None
5	Ghassan Ibrahim Akeel	3312	None	4000	None	688	20.8%
	Wife and minor sons	None	None	None	None	None	None
6	Othman Mohammad Ali Bedair	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
7	Munir Boutros Muasher	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None

**(14-b) Senior Executives and their Relatives**

SR No.	Stakeholder	Beginning of year		End of year		Net variation	Variation ratio
		Shares	Debt instruments	Shares	Debt instruments		
1	Ziyad bin Mohammed Al-Rubaish	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
2	Adel bin Saleh Farag	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
3	Husein bin Abd Al Mohsen Rashed	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
4	Khalid Jad Hawwa	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
5	Saud bin Ahmad Manie	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None

## 15) Remuneration of Board Members and Executives:

### (15-A) Remuneration Policy:

The company's internal governance regulation approved on 02/08/2016 AD included a remuneration policy for members of the Board of Directors ,members of committees and executive management.

#### **Firs: Members of the Board of Directors and the committees emanating there from: -**

- 1- The general principle is that the remuneration to be fair and proportional to the member's experience, specializations, independence, and the work and responsibilities that the board members undertake and bear, and that the remuneration to be reasonably sufficient to attract, motivate and retain appropriate experienced and competent board members
- 2- The annual remuneration for the chairman of the board of directors for the services it performs, as well as the annual remuneration for the members of the board of directors, shall be as in Article 17 of the articles of incorporation of the company.
- 3- Each member of the board of directors shall be entitled to obtain material compensation for attending the meetings of the board of directors as an allowance for its actual attendance for each meeting as stated in Article 17 of the articles of incorporation of the company.
- 4- The company's management shall pay a non - Saudi member of the board of directors whose residence is outside the Kingdom of Saudi Arabia a round-trip air fare directly on business class from its headquarters to the city of Riyadh or the city in which the meeting of the board of directors or committees is scheduled to be held, provided that travelling order shall be issued by the company.
- 5- As for Saudi member of the Board of Directors whose residence is outside the city of Riyadh, a round-trip air fare on the first class shall be issued for it from its residence in the Kingdom of Saudi Arabia to the city of Riyadh or the city in which the meeting of the Board of Directors or committees is scheduled to be held, and it shall be compensated therefor in cash.
- 6- The company bears the accommodation and transportation expenses for the member of the board of directors whose residence is outside the city of Riyadh, starting from the day before the scheduled meeting date until the end of the meeting.
- 7- Board members shall allocate sufficient time to carry out their responsibilities, including preparing for board and committee meetings ,and ensuring their attendance.
- 8- The Board of Directors, through the Nomination and Remuneration Committee, shall study and propose a remuneration and compensation program for executive members, including the General Manager.
- 9- Board reports shall disclose remuneration, compensation and other amounts paid to the members of the board of directors, committees, and senior executive members. It shall also include a statement of the number of board meetings and the number of meetings attended by each member from the date of the last meeting of the General Assembly.
- 10- Members of the board of directors shall not be permitted to vote on the remuneration clause in the general assembly meeting .

#### **Second: Executive Management:-**

- 11- The performance of the senior executive members shall be evaluated (bonus and/ or remunerations) through the extent to which they achieve the annual goals set for them, which include, but are not limited to:
  - A) Achieving the profit goal.

- B) Completing the strategic projects assigned to it.
- C) Meeting all regulatory requirements.
- D) Successful implementation of training, empowerment and job replacement plans.
- E) Reducing expenses in proportion to the volume of production.
- F) Exceptional achievements during the year.

- 12- The salaries of senior executive members shall be commensurate with the index and level of what is applied in the competing companies, even if the matter forced to use external studies or expertise.
- 13- Senior executive members shall be discussed separately about their annual evaluation about their job performance, which is part of the process of determining the level of bonus and remuneration for each manager.
- 14- The annual remuneration shall be determined based on the basic salary, not on proportion of the operating profits or the gross income of each senior executive manager.

(15-B) Remunerations and compensations paid to members of the Board of Directors and five of senior executive members, including Chief Executive Officer and Chief Financial manager during the fiscal year 2020 .

**First: Board of Directors: (SR)**

Fixed Bonuses							Variable Bonuses							End of Service Benefits	Grand Total	Expense allowance
	specific amount	Allowance for attending board meetings	Allowance for attending committee meetings	Allowance in kind	Benefits for technical, administrative and consulting works	Total	Proportion from profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Total					
First: Independent Members:-																
Abdulaziz bin Abdul Hadi Al-Qahtani	-	18,000	9,000	-	-	27,000	-	-	-	-	-	-	27,000	-		
Mohammed bin Ibrahim	-	15,000	12,000	-	-	27,000	-	-	-	-	-	-	27,000	-		
Abdulaziz bin Saleh Al-Omar	-	15,000	12,000	-	-	27,000	-	-	-	-	-	-	27,000	-		
Abdulahman Mohammed Al-Angari	-	18,000	-	-	-	18,000	-	-	-	-	-	-	18,000	-		
Total	-	66,000	33,000	-	-	99,000	-	-	-	-	-	-	99,000	-		
Second: Non-executive members (non-independent)																
Othman Muhammad Ali Badir	-	18,000	15,000	-	-	33,000	-	-	-	-	-	-	33,000	-		
Munir Boutros Muasher	-	18,000	12,000	-	-	30,000	-	-	-	-	-	-	30,000	-		
Ghassan Ibrahim Akeel	-	18,000	12,000	-	-	30,000	-	-	-	-	-	-	30,000	-		
Total	-	54,000	39,000	-	-	93,000	-	-	-	-	-	-	93,000	-		

Grand Total	-	120,000	72,000	-	-	192,000	-	-	-	-	-	-	192,000	-
-------------	---	---------	--------	---	---	---------	---	---	---	---	---	---	---------	---

- Allowances for the attendance of the board secretary and attendance allowances for members of the committees from outside the Board of Directors of previous years in the amount of SR 83,000.00.
- There is a provision for members of the Board of Directors' bonuses for 2020 valued at one million Saudi Riyals.

**Second: Committees Members (in Saudi Riyal)**

Rewards of Committees Members			
Committees	Fixed rewards (except for the allowance for attending sessions)	Allowance for attending sessions	Total
<b>Members of Audit Committee</b>			
Abd Al Ilah bin Muammar	0.00	0.00	0.00
Meshari Suhaim	0.00	0.00	0.00
Abd Al Rahman bin Mohammad Angari	0.00	0.00	0.00
<b>Total</b>	0.00	0.00	0.00
<b>Members of the Nomination and Remuneration Committee</b>			
Abd Al Aziz bin Abd Al Hadi Qahtani	0.00	3,000.00	3,000.00
Abd Al Rahman bin Mohammad Anqari	0.00	0.00	0.00
Abdulaziz bin Saleh Omar	0.00	3,000.00	3,000.00
Munir Boutros Muasher	0.00	3,000.00	3,000.00
<b>Total</b>	0.00	9,000.00	9,000.00
<b>Members of Risk Committee</b>			
Mohammad bin Ibrahim Mangour	0.00	6,000.00	6,000.00
Othman Mohammad Ali Bedair	0.00	6,000.00	6,000.00
Ghassan Ibrahim Akeel	0.00	6,000.00	6,000.00
<b>Total</b>	0.00	18,000.00	18,000.00
<b>Members of the Executive Committee</b>			
Abd Al Aziz bin Saleh Omeir	0.00	9,000.00	9,000.00
Othman Mohammad Ali Bedair	0.00	9,000.00	9,000.00
Munir Boutros Muasher	0.00	9,000.00	9,000.00
<b>Total</b>	0.00	27,000.00	27,000.00
<b>Members of the Investments Committee</b>			
Abdulaziz bin Abd Al Hadi Qahtani		6,000.00	6,000.00
Mohammad bin Ibrahim Mangour		6,000.00	6,000.00
Ghassan Ibrahim Akeel		6,000.00	6,000.00
<b>Total</b>	0.00	18,000.00	18,000.00
<b>Gross Total</b>	0.00	72,000.00	72,000.00

**Third: Five senior executives, including the CEO and CFO:**

The year ended December 31, 2020	Senior executives, including the General Manager and Chief Financial Officer in Saudi Riyals
Salaries	2,972,602
Allowances	1,064,411
Annual bonuses	-
Due severance pay	134,944
Total	4,171,957

**Fourth: There are no arrangements or agreements whereby a member of the board of directors or a senior executive waived any salary, bonus or compensation.**

**16) The means adopted by the Board of Directors in evaluating its performance and the performance of its committees and members**

The Nominations and Remuneration Committee evaluates the members of the Board of Directors and committees on an annual basis, and this is done through the following indicators:

- (A) Independence and impartiality.
- (B) The clear balance in avoiding conflicts of interest.
- (C) Permanent preparation for meetings before the sessions, asking inquiries, and requesting additional information to complete and clarify issues and consult with the relevant authorities from the specialists in the company.
- (D) Ask questions, inquire about information, request clarifications, and actively participate in the board sessions.
- (E) Active participation in the committee in which he is appointed and emanating from the board.
- (F) Presenting constructive proposals to develop the company activities.
- (G) Forward-looking knowledge of the future, explanation of ideas and drawing conclusions for proposals.

**17) Statutory Payments for the year 2020:**

Description	Provision	Paid
Saudi Stock Exchange (TADAWUL)		365,894
The costs of supervision and control, the Saudi Central Bank	1,343,295	618,903
Fees of Council of Cooperative Health Insurance	1,043,007	646,526
Zakat and income tax	6,281,980	4,353,833
Withholding tax	694,477	616,466
<b>Total</b>	<b>9,362,758</b>	<b>6,601,622</b>

### 18) Financial fines imposed on the company during the year 2020

The table below shows the fines imposed on the company by the Saudi Central Bank for the years 2019 and 2020:

Violation Subject	2019		2020	
	Number of executive decision	The total amount of fines in Saudi Riyals	Number of executive decision	The total amount of fines in Saudi Riyals
Violation of the supervisory instructions of the Central Bank	-	-	3	220,000
Violating Central Bank instructions for combating money laundering and terrorist financing	-	-	1	100,000
Total	-	-	4	320,000

### 19) Auditors

The Company Ordinary General Assembly held on 09-11-1441 AH corresponding to 06/30 / 2020 approved the appointment of the company auditors from among the candidates in order to examine, review and audit the financial statements for the second, third, and fourth quarters and annual financial statements for the fiscal year 2020 and the first quarter of the fiscal year 2021 and determine their wages. They are as follows: AL Azem, Al Sudairy, Al-Sheikh& Their Partner CPA's & Auditors, and PKF Al Bassam & Partners (allied accountants).

The Board did not issue any recommendation to change the auditor prior to the period for which they appointed. As there is no recommendation from the audit committee between which and the decisions of the board or the board refusal to consider them regarding the appointment of the company auditor, determining their fees, or evaluating his performance, there is no conflict.

### 20) Risk Management:

The company has developed a policy and procedures guide for risk management that includes the work of all technical and non-technical departments in accordance with the provisions of laws, regulations and circulars issued by the regulatory authorities. The company works to implement the provisions of this guide and update it when needed, and the risk management function carries out its work and activities in accordance with the risk management regulation issued by the Central Bank and any other supervisory requirements.

Besides, the Risk Management Committee emanating from the Board of Directors in addition to the risk management works to follow up the application of risk management policies and procedures and study the potential risks that may arise from the company business or from the insurance and investment market situation in order to find out ways to contain these risks through the policies and procedures adopted In the company.

### 21) Internal Audit Department and Statutory Compliance Department:

The Company's Internal Audit Department evaluates the effectiveness and efficiency of internal controls, policies and procedures while maintaining professional independence. Its tasks include the preparation of comprehensive reports that are necessary for the results of its audit and compliance, as well as its discussion with the audit committee and concerned directors. In addition to providing proposals and recommendations to be implemented to address the comments and close them.

Moreover, the Compliance Officer monitors the Company's compliance and ensure that the Company implements the laws and regulations promulgated by all regulatory authorities, and submits its reports regarding the results of its audit to the Audit Committee and take the necessary actions to promote the Company's compliance level.

## 22) Results of annual review for Internal Control procedures' effectiveness:

The Company has developed the internal control procedures, by the Audit Committee, the Internal Audit Department and the Compliance Department, the regulations, policies and work guidelines for all technical departments and branches. Furthermore, the Company constantly evaluates the effectiveness of implementing such procedures and examines the basic risks within the Company based upon procedures and policies as per the applicable laws and regulations.

The Internal Audit Department has fulfilled its tasks and implemented its plan that is approved by the Audit Committee for the year 2020. It also followed up the work of the Internal Audit Department on an ongoing basis, which in turn prepared its periodic reports, recommendations and proposals to be applied respecting the works of the Company's departments, and submit them to the relevant departments as well as the Audit Committee and provide recommendations thereof to the Board of Directors. In addition, the Audit Committee has supervised the performance of Compliance Department, reviewed all the reports issued by it, give advice thereof and constantly follow up its work.

The Audit Committee has convened six meetings during 2020 to discuss and review the reports of Internal Audit Department and Compliance Department, in addition to discussing the financial statements with the external auditor and company's management. The annual audit for the effectiveness of internal control procedures indicated that the Company's internal control system is consistent and efficiently implemented, and the management periodically monitors it and takes the proposed corrective procedures by the internal control department. Furthermore, the internal control system is updated where necessary, while the Audit Committee believes that the internal control procedures conducted by the company through the different departments and committees are constantly improving to work efficiently and effectively, noting that this cannot provide an absolute assertion in this respect.

In addition, the procedures of internal control have not revealed any fundamental breaches or violations that may affect the company's workflow, or to be denoted thereof, and no financial defect in 2020.

## 23) Capital, Shares, Debt Instruments and Shareholders Rights:

**(23-A)** The Company's capital, upon incorporation, has amounted to (SR 200,000,000), Two hundred million Saudi Riyals, which is divided into (20,000,000), twenty million normal shares, with a nominative value of (10) Saudi Riyals per share, which is totally paid. The founding shareholders have subscribed by (12,000,000), twelve million shares, i.e. (60%) of the total shares of the company, and they paid its full value. While the remaining shares amounting to (8,000,000), eight million shares, i.e. (40%) were offered for public subscription that was made in the period from 15/10/1428 AH (Corresponding to 27/10/2007) to 22/10/1428 AH (Corresponding to 02/11/2007), with a subscription rate of (10) Saudi Saudi Riyals per share. The shares were listed in the Saudi Stock Exchange (Tadawul) on 26/01/1429 AH (Corresponding to 04/02/2008).

The Company's capital was increased on 15/07/1436 AH (04/05/2015 AD) by (SR 200,000,000), two hundred million Saudi Riyals, which represents (20,000,000), twenty million shares by offering priority equity shares. As the company's capital has become (SR 400,000,000), four hundred million Saudi Riyals, divided into (40,000,000), forty million normal shares, with a nominative value of (10), ten Saudi Riyals per share.

The Company's capital was decreased to become (SR 265,000,000), two hundred and sixty five million Saudi Riyals, divided into (26,500,000), twenty six million, five hundred thousand normal shares, with a nominative value of (10), ten

Saudi Riyals per share that were paid in full, after obtaining the required statutory approvals as well as the approval of the Extraordinary General Assembly convened on 28/10/1437 AH- 02/08/2016 AD.

**(23-B) The following are the names of the major shareholders, whose shares are 5% or more in the company shares:**

Name	Ownership Ratio
Arabia Holding Co. SAL	19.2%
Jordan Insurance Co. JLC	9.21%
ASTRA	5%

**(23-C)** The provisions related to the rights of shareholders mentioned in the Corporate Governance Regulations issued by the Board of the Capital Market Authority have been complied with in relation to the general rights of shareholders and to facilitate the exercise of their rights and their access to information in addition to the rights related to the general assembly meeting.

**(23-D)** As for the rights of shareholders in dividends and the dividend policy, Article 46 the company articles of association stipulates the following: "The shareholder is entitled to his share in the profits in accordance with the decision of the General Assembly issued in this regard. The decision shows the due date and the date of distribution. Eligibility for dividends shall be for shareholders registered in the shareholders' records at the end of the day specified for maturity. The company informs the Capital Market Authority without delay of any decisions to distribute profits or recommend it, and the profits to be distributed to shareholders shall be paid at the place and dates determined by the Board of Directors, in accordance with the instructions issued by the competent authority, subject to the prior written approval of the Saudi Central Bank." The company follows the Cooperative Insurance Companies Control Law and the applicable regulations, and profits from investing shareholders' funds are in accordance with the rules set by the Board of Directors.

**The company shall:**

- 1- Provision for Zakat and assessed income tax
- 2- Provision (20%) of the net profits to form a statutory reserve, and the Ordinary General Assembly may stop this deduction whenever the total reserve reaches 100% of the paid capital
- 3- The Ordinary General Assembly, when determining the amount of profits per share, may decide to create other reserves, to the extent that it serves the interest of the company or guarantees the distribution of fixed profits as possible to the shareholders.

**(23-E)** There is no decision to distribute profits for the fiscal year 2020 due to the existence of a balance of accumulated losses of 43.979 thousand Saudi Riyals.

**(23-F)** There is no arrangement or agreement under which one of the shareholders of the company waived any rights to profits.

**(23-G)** The company has not been notified under Article 45 of the registration and listing rules of any interest in the voting-eligible shares category belonging to persons other than the members of the company board of directors, senior executives and their relatives.

**(23-H)** There is no convertible debt instruments and any contractual securities, subscription right notes, or similar rights issued or granted by the company during the fiscal year 2020.

**(23-I)** There is no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.

**(23-J)** There is no refund, purchase or cancellation on the part of the company for any recoverable debt instruments.

**(23-K)** There is no treasury shares held by the company.

**24) Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and comments about the company and its performance:**

Within the organizational structure of the company there is a shareholder affairs section that is concerned with receiving the proposals, observations and inquiries of the shareholders by phone or other means of communication shown on the financial market website, TADAWUL, and the company website, and the board is notified about it, and shareholder proposals and observations are received through the company general assembly meetings and presented to the nearest meeting for the board (if any).

**25) A statement of the dates of the general assemblies of shareholders held during the year 2020 and the names of the members of the board of directors attending these assemblies:**

SR No.	Member's name	The Ordinary General Assembly meeting on 07/03/1441 AH corresponding to 02/27/2020	The Ordinary General Assembly meeting on 11/10/1441 AH, corresponding to 06/30/2020	The Ordinary General Assembly meeting on 11/10/1441 AH, corresponding to 06/30/2020
1	Abdulaziz bin Abd Al Hadi Jadhi Qahtani	attended	attended	Did not attend
2	Mohammad bin Ibrahim Mangour	Did not attend	Did not attend	Did not attend
3	Abdulaziz bin Saleh Omeir	Did not attend	attended	Did not attend
4	Abdulrahman bin Mohammad Anqari	attended	attended	attended
5	Ghassan Ibrahim Akeel	attended	attended	attended
6	Othman (Muhammad Ali) Othman Bedair	attended	Did not attend	attended
7	Munir Boutros Ibrahim Muasher	attended	attended	attended

**26) The number of the company requests for the shareholders' records, the dates and reasons for those requests**

Request Date	Request Reason
2020/02/27	General Assembly
2020/03/19	Update the list of Sharholders
2020/06/29	General Assembly
2020/08/20	General Assembly
2020/10/09	Update the list of Sharholders
2020/12/27	Update the list of Sharholders

## 27- Corporate Governance Regulations:

The Board of Directors confirms that adherence to companies' governance is one of the most important elements of the company's success, because it requires application of a clear framework of transparency and disclosure in a way that serves the interest of shareholders. Our company believes that governance is one of the most important frameworks including the policy and systems of the company's leadership, management, and effective control of its business. The company is currently working through internal governance bylaws. As well as the company is limited to the provisions of the companies Governance bylaws issued by the Board of Capital Market Authority and Insurance Companies Governance bylaws issued by the Central Bank, which was issued on 22/10/2015.

The General Assembly approved Audit Committee's work bylaw, the Nomination and Remuneration Committee work bylaw, updated policies and standards of Board membership procedures in implementation of the provisions of the companies Governance bylaw issued recently by the Capital Market Authority.

The company also works through internal bylaws such as bylaw of tasks and responsibilities of the board of directors , bylaw organizing the relationship with stakeholders, bylaw of Regulating Conflicts of Interest, Disclosure and Transparency bylaw, Shareholders 'Rights bylaw, Risk Management Committee Work Charter, Compliance Department Work Charter and Internal Audit Department, and Company's Staff Ethics and Charter Violation Reporting Policy.

The provisions of the Insurance Companies Governance bylaw and, Company's Internal Governance bylaw, and Companies Governance bylaw issued by the Capital Market Authority have been implemented with the exception of the following:

No. of article	Provision of article/section	Reasons of non-adherence
14/ H-	Evaluation: The Board of Directors makes the necessary arrangements to obtain an evaluation of a competent external entity that performs it every three years.	The evaluation is performed internally.
95	<u>Formation of a Company's Governance Committee (advisory article)</u> In the event that Board of Directors establishes a committee devoted to company's governance, it must delegate to it powers established in accordance with Article 94 of these bylaw, and this committee must follow up on any issues regarding governance applications, and provide Board of Directors, at least annually, with the reports and recommendations reached.	Board of Directors reviews any issues related to governance applications, and the Internal Audit and Compliance Department provides Audit Committee with its observations on the implementation of company's governance, which in turn submits them to Board of Directors.

## **28) Declarations:**

### **The company acknowledges that:**

- Account records were prepared in a correct manner.
- Internal control system was prepared on a sound basis and was effectively implemented.
- There is no doubt regarding the ability of the company to continue its activity.
- The company does not have any loans.
- The absence of businesses or contracts in which the company was a party, and which has a substantial interest for the CEO, the financial manager, or any person related to any of them, with the exception mentioned in Paragraph No. (11) of this report.
- There are no reservations regarding the legal accountant's report on annual financial statements.

In conclusion, the Board of Directors takes this opportunity to extend sincere thanks and appreciation to the esteemed customers, shareholders and to all employees of the AICC for their support to the company. The Board of Directors also thanks Saudi Central Bank, Capital Market Authority, Council of Cooperative Health Insurance and Ministry of Commerce for their continuous support and for everything that would develop insurance sector in Kingdom of Saudi Arabia.

**Board of Directors**