

**Annual Transparency Report - SIMAH Rating Agency
(TASSNIF)
31 December 2020**

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1) Introduction:

This report has been prepared in accordance with the requirements of Article No. 22 of the Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority under Resolution No. 3-58-2014 dated 1/17/1436 H corresponding to 11/10/2014 G and based on the Capital Market Law issued by Royal Decree No. M / 30 and on 06/02/1424 H. provided that this report covers the period from 01/01/2020 until 31/12/2020 G

2) Description of the SIMAH Rating Agency's commitment (TASSNIF) with credit rating agencies regulations and other relevant rules and regulations:

The agency takes the necessary professional care to ensure full compliance with all requirements of the provisions of the Credit Rating Agencies Regulations. The necessary measures have been taken to avoid the agency violating the articles stipulated in the credit rating agencies regulations. As well as other laws and regulations and relevant circulars, including the Companies Law, the Ministry of Labor, the Ministry of Trade and Investment and other regulatory bodies, and updating them according to business requirements and in line with the regulations and systems of the Capital Market Authority.

3) Ownership Structure of SIMAH Rating Agency (TASSNIF):

The Agency is a limited liability company owned by the Saudi Credit Bureau (SIMAH) and its capital is 5 million Saudi riyals.

4) Description of the internal control mechanisms:

The agency appointed the compliance officer to perform the role of internal control and ensure that the agency adheres to the requirements of the Capital Market Authority and the provisions of the credit rating agencies regulations. Through the activation of the compliance and compliance monitoring program, provided that reports are submitted periodically to the administrative or supervisory committee.

Also, an internal committee (the classification committee) has been established, and it is responsible for discussing credit ratings internally before their final issuance, in accordance with the methodologies previously approved and announced on the agency's website, and its membership is according to the following:

• **Non-independent members:**

- Suwaid bin Muhammad Al-Zahrani.
- Nabil bin Abdullah Al-Mubarak.

- **Independent Members:**

- Abdul Wahhab bin Saad Al-Aqeel.
- Abdul Aziz Abdul Rahman Al-Khamis.
- Abdul Karim bin Muhammad Abanami.

The administrative or supervisory committee was also established to carry out the responsibilities entrusted to it in accordance with Article 26 of the Credit Rating Agencies Regulations, including supervising the development of credit rating policies. As well as measuring the effectiveness of the agency's internal quality control systems with regard to credit rating activities, provided that the committee submits its reports periodically to the Board of Directors.

5) **Staff distribution statistics:**

The table below shows the statistics of the distribution of agency employees as on 12/31/2020 AD, according to the following:

A. Credit Rating and Research Services Department:

	Number
Rating Analysts	4
Total	4

B. Business Development Department:

	Number
Business Development	2
Total	2

C. Supporting departments:

	Number
Financial and administrative official	1
Executive Assistant	1
Total	2

D. Compliance and Compliance Department:

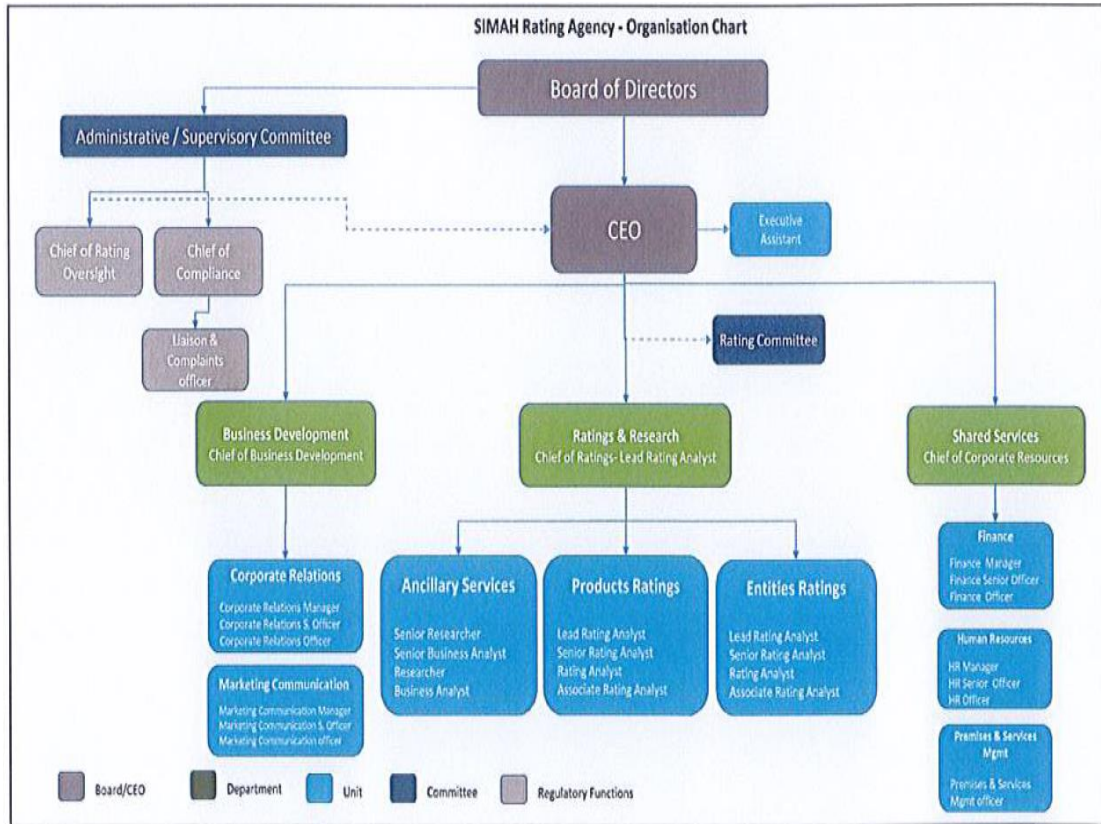
	Number
Head of Compliance & Compliance Department	1
Total	1

E. Higher Management:

	Number
Chief Executive Officer	1
Total	1

6) Organizational Structure:

As on 12/31/2020 G.



7) Record Keeping Policy:

The agency has prepared a record-keeping policy in accordance with the requirements of Article 23 of the Credit Rating Agencies Regulations. Which stipulates that the agency maintains and records adequate information about its classification activities. As well as maintaining internal records related to supporting issued credit ratings, reports and updates, and a record of all risks threatening the independence of rating activities, recruitment procedures, experience and qualifications for each rating analyst, provided that records are kept for a period of five years as a minimum, and monitored and updated continuously.

8) Results of the annual internal audit:

As stipulated in Article 22 of the Credit Rating Agencies Regulations regarding the results of the annual internal audit and the responsibility of the Board of Directors and the Administrative or Supervisory Committee for a number of matters related to the adequacy and integrity of the agency's internal systems and policies. The agency carried out internal reviews on an ongoing basis for all departments in accordance with the requirements of the credit rating agencies regulations such as the Human Resources Department with regard to appointment procedures, updating employee files, as well as the credit rating department and research regarding the safety of credit rating procedures. In

accordance with the requirements of the Credit Rating Agencies Regulations as well as the Business Development Department with regard to contracting procedures and to ensure that no conflict of interest occurs before and during the credit rating process. The committee conducted its review on compliance department, and as a result of this review, the committee stressed on finalizing of the following policy update plan that were mentioned earlier on 2019 report:

- Urgent completion and approving of the Compliance Manual.
- Completing and approving the update of Compliance program and the Corporate Governance manual.

The committee also approved the annual compliance Department plan in which the above policies were included.

9) Financial information:

In line with the Companies Law, as well as the corporate governance requirements and the requirements of Article 22 of the Credit Rating Agencies Regulations. Which includes the transparency report, which requires disclosure of the company's financial statements, not exceeding the three months from the end of each fiscal year. You will find attached the lists approved by the auditor on December 31, 2019 G. It will be listed on the website separately for at least five years. You will also find below a summary table of the financial results by the end of 12/31/2020, according to the following:

- Operational results:

For the fiscal year ending December 31, 2019 (Saudi riyal, unless another currency is specified)	2019
Total revenue	11,514,100
Operating profit / loss	(9,319,234)
Net profit / loss for the year	2,194,866

It is clear from the previous table that the profits amounted to 12/31/2020 G.

10) Corporate Governance Statement:

The agency is committed to adopting the best corporate governance practices in accordance with the relevant regulations and instructions issued, such as the credit rating agencies regulations, the companies 'system, the corporate governance regulations and other regulations and instructions. Through the application of governance standards, we aim to optimize and rationalize the agency's capabilities and resources by creating a work environment based on responsibility, control and commitment, and its pillar is clarity and transparency. Whether this is in defining the agency's goals and strategic commercial plans, or in managing its relationship with all related parties, including the supervisory and supervisory authorities, and the activity in which it operates to achieve its objectives effectively and impartially. Accordingly, the Agency implemented the requirements of corporate governance, which were mentioned in the Capital Market Authority's decision No. 3-4-2011 dated 23/01/2011 G.

11) Formation of the Board of Directors:

The company is managed by a board of directors consisting of three (3) members, including an independent member, to ensure the balance and effectiveness of the board of directors. They are appointed by the partners and bear the responsibility of setting the policies and goals of the agency in line with the aspirations of the capital owner. The table below shows the board members, their membership classification, and the number of their meetings:

- Board meetings for the year 2020

No.	Name of a member of the board of directors	Membership rating	Attendance Record
1	Dr. / Khalid bin Mohammed Al-Tawil	Chairman of the Board of Directors - non-executive	5/5
2	Suwaid bin Mohammed Al-Zahrani	Board Member - Non-Executive	5/5
3	Kholoud Bint Abdul Aziz Al-Dakhil	Independent Board Member	4/5

No member of the Board of Directors holds an executive position in the company as on 12/31/2020 AD. Non-executive members of the Board are people with experience and high competence, and have the necessary degree of skills and experience necessary to carry out the work of the Board of Directors.

The total number of Board meetings held during the year 2020 AD became (5) full-term meetings.

12) SIMAH Rating Agency Committees (TASSNIEF):

A. The Executive Committee:

In accordance with the Executive Committee Charter approved by the Board of Directors, the committee supervises the agency's work with regard to the investment and financial aspects. Ensure that the operational performance of the agency is proceeding in accordance with the approved strategic work plan and budget, and submits its recommendations for any changes as required by the interest. Among the most important responsibilities and tasks that the committee has to do are the following:

1. Review and evaluate performance on a regular basis, to ensure adherence to principles, directives and policies, and to monitor progress towards achieving the objectives assigned to the committee.
2. Review and approve the company's strategy proposed by management for the account of the partners, provided that it includes the type of risk, exit strategy, investment horizon and other related considerations, all as required by the general interest of the agency.
3. An annual review of the requirements and qualifications of the members of the Board of Directors, identifying the strengths and weaknesses of

- the members of the Board of Directors, and recommending proposals that are compatible with the interests of the company. As well as submitting the committee's recommendations to the board of directors based on the annual review of the charter.
4. Nomination and allocation of wages and bonuses, in addition to developing strategies and policies related to employee recruitment, wages and rewards, competency retention, motivation, career development and performance.
 5. Determining the main performance indicators (financial and non-financial), monitoring the planning and budgeting elements for each department, reviewing the financial statements of the company as a whole, and raising recommendations for operating expenses to the Board of Directors.
 6. Performing any other tasks assigned to it by the Board of Directors.

The chairman of the committee is appointed by the board of directors, and all its members are accountable to the board of directors within the limits of their responsibilities. The Executive Committee is composed of at least three (3) members appointed by the Board. So that two (2) of them are board members or representatives of the board. The Council also appoints one of its members to head the Executive Committee, who is responsible for the direction of the agreed-upon Executive Committee. The meeting of the committee shall be held at least four (4) times annually, prior to the holding of the Board of Directors meeting, or at any other time upon the request of the Board, or as the committee deems necessary.

It is worth mentioning that it was decided in the Board of Directors meeting held on 01/17/2017 to postpone the activation of the Executive Committee's work due to the small size of the company's business at the present time and the limited operations of the company. The Board of Directors will play the role of the executive committee until it is activated, provided that this decision is reviewed again.

B. Administrative or supervisory committee:

In accordance with Article 26 of the Credit Rating Agencies Regulations, the rating agency must establish an administrative or supervisory committee responsible for ensuring compliance with the provisions of the financial market system, its implementing regulations, and other relevant regulations and regulations. Among the most important responsibilities and tasks that fall upon it according to the committee's charter are the following:

1. Development of credit rating policies and methodologies used in the agency.
2. Effectiveness of internal quality control systems.
3. Monitor compliance, compliance and governance procedures.
4. Reducing legal or regulatory risks and ensuring that the company adheres to all relevant laws and regulations while maintaining the highest professional standards in relation to its classification activities.

Restricted :Classification

5. Ensure the effectiveness of the standards and procedures applied to ensure that cases of conflict of interest are identified, disclosed, excluded, and managed, and the procedures for conformity, compliance and corporate governance applied in the agency are confirmed.

The committee consists of five (5) members, and they are appointed by the board. The legal quorum for the committee is formed in the presence of 2 of its members, provided that the committee chairman is one of them.

The board of directors also appoints a member of the committee as its chairperson and responsible for the conduct of its business. The board has the authority to change the committee's membership at any time and fill vacancies in it in line with the requirements of the credit rating agencies regulation. The Council is informed of the recommendations and actions of the Committee.

The committee meets at least twice (2) times a year to carry out its responsibilities and tasks. The head of the committee may call a meeting at any time if this is necessary to discuss important developments that fall within the duties of the committee. He may also ask any other member of the administration or an external party to attend the meetings and provide relevant information on the issues discussed in the meeting. The table below shows the members of the committee and their meetings.

Membership of the administrative or supervisory committee, attendance record and the number of meetings held for the year 2020 G according to the following:

No.	Name of a member of the board of directors	Membership rating	Attendance Record
1	Committee president Khalid bin Mohammed Al-Sharif	Not independent	2/2
2	Member Hisham bin Abdullah bin Abdul Mohsen Al-Tariki	Independent	2/2
3	Member Adnan Olayan	Independent	2/1
4	Member Ibrahim Ali Saad Eddin	Not independent	2/2
5	Member Dana Amin Badr	Not independent	2/1

13) Rating agency policies regarding credit rating distribution, reports, and updates:

The agency has prepared a policy of distributing credit ratings and updates related to them, provided that those ratings are published through the agency's website, including notification to subscribers or the public in Arabic and English, for a reasonable period.

14) Description of any material amendments to the systems of the SIMAH Rating Agency (TASSNIF):

There are no material adjustments made by a rating agency during the past year 2020.