

Classification: Confidential - Internal

# **SIMAH RATING AGENCY (TASSNIEF)**

## **ANNUAL TRANSPARENCY REPORT**

Dec. 31st, 2024

Classification: Confidential - Internal

## Contents

|   |   |
|---|---|
| 1. Introduction .....   | 2 |
| 2. Description of Tassnief's compliance with the Regulations: .....   | 4 |
| 3. Simah Rating Agency (Tassnief) Ownership Structure: .....  | 4 |
| 4. Description of Internal Control Mechanisms: .....  | 4 |
| 5. Employee Distribution Statistics .....   | 4 |
| 6. Record Keeping Policy: .....   | 5 |
| 7. Results of the Annual Internal Audit of Compliance Function:.....  | 5 |
| 8. Financial Information: .....   | 6 |
| 9. Governance Statement:.....   | 6 |
| 10. Policies of Tassnief Agency Regarding the Distribution of Credit Ratings,<br>Reports and Updates: ..... | 7 |
| 11. Description of any Material Amendments to Tassnief Agency's Systems .....                               | 7 |

## 1. Introduction

This report was prepared in accordance with the requirements of Article No. 22 of the  
Page 2 of 7

Classification: **Confidential - Internal**

Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority (CMA) pursuant to Resolution No. 3-58-2014, dated 01/ 01/ 1436 AH corresponding to 10/ 11/ 2014 and based on the Capital Market Law issued by Royal Decree No. M / 30, dated 06/ 02/ 1424 AH corresponding to 09/04/2003.

This report covers the period from 01/ 01/ 2024 to 31/ 12/ 2024.

Classification: **Confidential - Internal**

## 2. Description of Tassnief's compliance with the Regulations:

The Agency takes the necessary professional care to ensure full compliance with all requirements of the provisions of the Credit Rating Agencies Regulations. In addition, it has taken the necessary measures to ensure that the Agency complies with the articles stipulated in the Credit Rating Agencies Regulations, as well as other laws and regulations and relevant circulars from other regulatory authorities and to update such measures in accordance with business requirements and in line with the rules and regulations of Capital Market Authority.

## 3. Simah Rating Agency (Tassnief) Ownership Structure:

Tassnief is a limited liability company wholly owned by the Saudi Credit Bureau ("SIMAH"), with a capital of 5 million Saudi riyals.

## 4. Description of Internal Control Mechanisms:

The Agency has appointed a compliance officer to monitor the Agency's compliance with the requirements of the Capital Market Authority and the provisions of the Credit Rating Agencies Regulation by activating the Compliance-Monitoring Program where reports are submitted periodically to the Administrative and Supervisory Committee and the Board of Directors.

The Agency has also established an external and independent rating committee, independent from the Rating Department, that is responsible for discussing credit ratings internally before their final issuance, in accordance with the previously approved methodologies announced on the Agency's website.

The Administrative and Oversight Committee was also established to carry out the responsibilities vested in it in accordance with Article No. 26 of the Credit Rating Agencies Regulations, including the assurance to compliance with regulations, supervising the development of credit rating policies, as well as measuring the effectiveness of the Agency's internal quality control systems in relation to credit rating activities, provided that the Committee shall submit its reports periodically to the Board of Directors.

## 5. Employee Distribution Statistics

The table below shows the statistics of the distribution of the Agency's employees as on December 31<sup>st</sup>, 2024:

### A- Credit Rating Services and Research Department

|                      | Number |
|----------------------|--------|
| Chief Rating Officer | 1      |
| Rating Analysts      | 6      |
| Business Analyst     | 1      |
| Total                | 8      |

Classification: **Confidential - Internal**

#### **B- Business Development Department**

|                                    | Number |
|------------------------------------|--------|
| Chief Business development officer | 1      |
| Business Development Officers      | 4      |
| Project Management                 | 1      |
| Total                              | 6      |

#### **C- Supporting Departments**

|                     | Number |
|---------------------|--------|
| Executive Assistant | 1      |
| Finance Manager     | 1      |
| Total               | 2      |

#### **D- Compliance Department**

|                          | Number |
|--------------------------|--------|
| Chief Compliance Officer | 1      |
| Total                    | 1      |

#### **E- Senior Management**

|                         | Number |
|-------------------------|--------|
| Chief Executive Officer | 1      |
| Total                   | 1      |

### **6. Record Keeping Policy:**

The Agency has prepared a record-keeping policy in accordance with the requirements of Article No. 23 of the Credit Rating Agencies Regulation, which states that the Agency shall keep and record sufficient information on rating activities, as well as maintain internal records to support the issued credit ratings and other reports, documents and internal records, provided that the records shall be kept for five years minimum and shall be continuously monitored and updated.

### **7. Results of the Annual Internal Audit of Compliance Function:**

During the years 2023 and 2024, the Agency worked on closing the internal audit observations, including the observations on the Agency's Compliance Department, which were related to updating the compliance program and updating the compliance policy.

Classification: **Confidential - Internal**

## 8. Financial Information:

Operational results:

*In SR Millions*

| For the Fiscal Year Ending December 31, 2024 | 2024         |
|--|--------------|
| Total revenue                                | 21,942,466   |
| - From Rating Activity                       | - 18,832,466 |
| - From Ancillary Activity                    | - 3,110,000  |
| Operating Profits                            | 6,098,206    |
| Net Profit                                   | 6,610,415    |

*\*Ancillary Services included consultancy (mainly), financial scoring and assessments.*

Audited financial statements of the FY ending on 31/ 12/ 2024 will be listed on the website separately.

## 9. Governance Statement:

The Agency shall adopt the best corporate governance practices in line with the relevant issued regulations and instructions, such as the Credit Rating Agencies Regulations, the Companies Law, the Corporate Governance Regulations and other regulations and instructions. We aim, through the application of corporate governance standards, to optimally invest the Agency's resources to create a work environment that promotes responsibility, control, and commitment, while maintaining clarity and transparency. That is taken into account when determining the Agency's objectives and strategic business plans, and in managing its relationships stakeholders, including the regulatory and supervisory authorities. Accordingly, the Agency implemented the corporate governance requirements contained in CMA decision No. 3-4-2011, dated 23/01/ 2011.

### Board of Directors' Formation:

The Company is chaired by a board of directors consisting of four (4) members, two of whom shall be independent members to ensure balance and the effective board of directors. Independent members shall be appointed by the partners and shall be responsible for setting the Agency's policies and objectives in line with the owners' aspirations.

The below table lists the Board members, their membership classification and the number of their attended meetings for the year 2024:

| # | Board member name                  | Membership Classification             | Attendance Record |
|---|------------------------------------|---------------------------------------|-------------------|
| 1 | Dr. Khalid bin Muhammad Al-Taweel  | Chairman of the Board - Non-Executive | 4/4               |
| 2 | Mr. Suwaid bin Muhammad Al-Zahrani | Board Member - Non-Executive          | 3/4               |
| 3 | Mr. Khalid bin Mohammed Al-Sharif  | Board Member - Non-Executive          | 4/4               |
| 4 | Mr. Essa bin Saleh Al-Huraimees    | Board Member - Independent            | 4/4               |
| 5 | Sultan Alqudairy                   | Board Member - Non-Executive          | 1/4               |

Mr. Sultan Alqudairy was appointed as member, replacing Mr.Suwaid Alzahrani whom resigned on September 2024

Classification: Confidential - Internal

None of the Board members hold an executive position in the company as of 31/ 12/ 2024. The non-executive members of the Board shall be highly qualified and experienced persons, who have the necessary skills and experience to carry out the work of the Board of Directors.

#### Administrative and Oversight Committee:

In line with Article No. 26 of the Credit Rating Agencies Regulations, the rating agency must establish an administrative or supervisory committee that is responsible for ensuring compliance with the Capital Market Law and the implementation of regulations and other relevant laws. The following are some of the most important responsibilities outlined by the charter of the Agency committee:

1. Developing credit rating policies and methodologies of the Agency;
2. Effectiveness of internal quality control systems;
3. Monitoring compliance and governance procedures;
4. Reducing legal or regulatory risks and ensuring that the company complies with all relevant laws and regulations while maintaining the highest professional standards in relation to its classification activities; and
5. Ensuring the effectiveness of the standards and procedures applied to ensure identification, disclosure, exclusion and management of cases of conflict of interest, and ensuring compliance and corporate governance procedures applied in the Agency.

The committee consists of four (4) members, two of them are independent, who are appointed by the Board of Directors. The quorum for the committee is formed in the presence of 2 of its members, provided that one of them shall be the chairman of the committee.

The Board of Directors also appoints a member of the Committee as its Chairman who shall be responsible for its work. The Board has the authority to change the Committee's membership at any time and fill the Authority's vacancies in line with the requirements of the Credit Rating Agencies Regulations. The Board shall be informed of the Committee's recommendations and work.

The committee shall meet at least twice (2) a year to carry out its responsibilities and tasks. The chairman of the committee may call for a meeting at any time as necessary to discuss any important developments that occur within the committee's tasks. The Chairman may also request from any other member of the administration or from a third party to attend meetings and provide relevant information on the issues discussed at the meeting. The table below shows the committee members and their meetings.

#### 10. Policies of Tassnief Agency Regarding the Distribution of Credit Ratings, Reports and Updates:

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

#### 11. Description of any Material Amendments to Tassnief Agency's Systems

The Agency had reviewed and update its internal policies, and there was no material amendments to the agency systems during 2024>