

الجزيرة تكافل  
Aljazira Takaful



# Annual Report 2020

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## Board Chair's Statement



Eng. Abdulmajeed  
Al-Sultan

Chairman of Board of Directors

Our valued shareholders' of Aljazira Takaful Taawuni Company

Peace, Mercy and Blessing of Allah.

I am pleased, on behalf of my colleagues, members of the Board of Directors in particular, and all the company's personnel in general, to put in your hands the annual report for the year 2020, to review with you a summary of the development of financial results and operational activities as required by the related corporate governance regulations.

In order to complement the combined efforts of previous years and in accordance with the company's strategy and objectives, the company continued its approach to fulfilling its commitment over the past period by improving the performance of the company, developing its services and increasing growth through the diversity of products and increasing the share of the company in the Saudi market. In this regard, it has taken several solid actions and foundations for a comprehensive vision of the insurance market. It has also taken in mind the vision of the Kingdom 2030 with the aims and aspirations of its shareholders in particular and the objectives of the Kingdom's vision 2030 in general. It has recently approved, after several extensive and careful studies and under a binding memorandum of understanding – to Merge with Solidarity Saudi Takaful Company, and has successfully endorsed to the Extraordinary General Assembly for both companies with the unlimited support of the Saudi Central Bank and Capital Market Authority and other relevant government authorities, which have provided and continue to provide their support to companies operating in this sector.

Despite the recent outbreak of Corona's new virus COVID-19, which had a significant impact on economic and social activity in all countries of the world – without exception – that had destabilized the operational environment and the daily lifestyle of humanity, the company was flexible and rapidly responsive to the effects of the epidemic, with innovative and safe solutions to ensure business continuity while protecting its personnel and clients, and had reduced the negative effects of the spread of the pandemic by developing preventive programmes and an emergency plan for the good functioning of its activities, its work and its staff and its clients.

It should be noted that, in the wake of its hard work and striving towards its objectives and shareholders, the company was awarded – for the second consecutive time in a row – the Award of the Corporate Governance Center at Alfaisal University, Business School, at the Second International Corporate Governance Conference on Governance of Saudi Corporations organized by the University, under the generous auspices of His Excellency the University's Director and in the presence of several representatives of Saudi companies listed in trading Saudi Market. Aljazira Takaful Taawuni Company will continue in maintaining this leadership.

I would like to extend my sincere thanks and gratitude to The Custodian of the Two Holy Mosques, King Salman Bin Abdul Aziz – and His Royal Highness Prince Mohammed Bin Salman Bin Abdul Aziz – for their constant concern to move towards comprehensive development to consolidate the blessed vision 2030.


In this light, we all commend as members of the company's Board of Directors for all the efforts made and tireless by the company's personnel over the past year, and they have made a lot of contributions and still have much to do in the future. We all aspire to draw successes that will satisfy your aspirations by God's permission.

We will not forget to extend our sincere thanks and gratitude to all government authorities of the insurance sector, and to all my colleagues members of the Board for their experience and advice that have contributed to the strengthening of the position of Aljazira Takaful Taawuni Company. Most thank to the important clients who have given us their confidence, and we promise to continue our efforts to be eligible for this precious confidence in the coming years.

*Best regards,*






## Company Profile during 2020

 Aljazira Takaful Taawuni Company has been established under the Royal Decree No. M / 23 dated Rabi` Al-Thani 28, 1431 AH. Since that time, Aljazira Takaful has been developing and evolving in line with our wise government journey towards modernity and progress. We aim to be the leading Company in the field of Sharia-Compliant Insurance in the Kingdom of Saudi Arabia by providing innovative, high-quality insurance solutions that achieve the maximum benefit for our customers, shareholders and employees. Aljazira Takaful Taawuni Company is a Saudi joint stock Company established in accordance with His Excellency's Minister of Commerce Resolution No. 213 / Q dated 24 Shaaban 1434 AH, based on Council of Ministers Resolution No. 137 dated Rabi' Al-Thani 27 1431 AH, and the Royal Decree No. M / 23 dated 28 Rabi' al-Thani 1431 AH, with a capital of 350,000,000 Saudi riyals distributed to 35,000,000 shares. The company conducts its business under the Commercial Registration No. 4030251980 and the license of the Saudi Central Bank No. TMN / 34/201312.






## 1. Core Values:






### *Our Values towards our Customers :*

-  We understand our customers needs and aspirations by developing innovative insurance products that exceed the expectations of the target audiences.
-  We communicate with our customers with high professionalism and transparency.
-  We value our customers' loyalty to us.

### *Our Values towards our Employees:*

-  We recruit, grow and motivate highly qualified and experienced cadres
-  We believe in the importance of rewarding our employees for their outstanding performance
-  We communicate with our employees with high honesty and transparency
-  We appreciate the loyalty of our employees to us

### *Our Values towards our Environment :*

-  We are committed to applying the provisions of Islamic law in all our dealings
-  We perform our business properly at the first time
-  We promote teamwork
-  We take into account the application of risk management concepts to ensure the benefit for everyone
-  We are aware of our social responsibility and believe in the importance of preserving the environment.



## 2 Highlights of important decisions taken and the future vision:

### • Important Company decisions during the fiscal year 2020:

- 1 The Company's announcement to the shareholders on 24/8/2020, that it had signed a binding memorandum of understanding with Solidarity Takaful Company which confirmed its intention to submit a share swap offer to purchase the full shares of Solidarity Takaful Company.
- 2 The Company's announcement of the completion of the transfer of the insurance portfolio from Bank Aljazira to Aljazira Takaful Taawuni Company with effect from the date of January 1, 2020 AD. It is expected that the financial impact of this transfer will be shown in the Company's financial statements for the Fiscal Year ending on December 31, 2020.
- 3 Aljazira Takaful Company announcement on 01/12/2020 that it had received a No-Objection Letter from «SAMA» on the deal on 15/4/1442 AH (corresponding to 30/11/2020 AD). Both Al Jazira Takaful Company and Solidarity Takaful Company will continue their work to obtain other necessary regulatory approvals
- 4 Obtaining the approval of the Capital Market Authority on the request of Aljazira Takaful Taawuni Company to increase its capital for the purpose of merging Solidarity Saudi Takaful Company into Aljazira Takaful Taawuni Company through securities exchange offer issued on 8/5/1442 AH (corresponding to 23/12/2020 AD)

### • Future Vision

- 1- Diversifying products, increasing and activating sales channels to reach the largest segment of customers.
- 2- Training of national workforce by enhancing technical skills and developing expertise within Aljazira Takaful Company.
- 3- Developing and enhancing the electronic sales system and mobilizing all necessary tools to improve sales quality within the strategic framework for diversification in sales channels and to achieve the desired goals.
- 4- Providing a great customer experience by dividing the customer base into segments, understanding the needs of each group, effectively pushing the product development strategy, and targeting more smart investments in order to obtain the best results.
- 5- Applying best practices in shareholder relations, disclosure and transparency with a deep understanding of investors' needs for financial information and data.
- 6- Achieving the best financial and operational results to implement the operational strategy set by the Company based on enhancing investments with the aim of achieving fruitful growth, whether for the individual or business sector, as well as providing the best technologies and devices to achieve this goal, in a way that achieves added value for our customers and all major stakeholders.




### 3 Awards During 2020:

- **Aljazira Takaful Taawuni Company** won the award for the Best Life Insurance Service Provider in the Kingdom of Saudi Arabia this year, presented by Finance Review & Global Banking.
- **Aljazira Takaful Taawuni Company** won the award for the best Takaful insurance operator in the Kingdom of Saudi Arabia this year from the International Business Journal.



## 4 Company Focus in Insurance during 2020:

 The key activities of the Company are to provide protection and savings insurance products in accordance with its Articles of Association and the license to practice the activity issued by SAMA for insurance business. As explained above, the Company has no other activities except for protection and savings insurance as at 31 December 2020. The effect of this appears in the financial statements shown in the report, Clause No. (23).

### 1 Individuals Sector

Retirement products ( Sakha' )

Juvenile products (Education & Marriage)

Sunbulah product (Sadaqa Jareiah )

Family Trust product (Atta')

Term products (Easy & Advance) to ensure family income.

Rental product (Basic & Plus)

### 2 Corporate Sector


Group Life product (Term & Credit)

Loan Protection product

Amaan product for employees of SME enterprises and companies

Group Thrift Saving product

## 5 Shareholders structure during 2020:

 The Company's authorized capital is 350 million Saudi riyals, divided into 35 million shares with a nominal value equivalent to 10 Saudi riyals per share. The table below shows the ownership structure of the Company's shares until December 31, 2020:

Shareholder's Name	Nationality	Number of Shares	Ownership percentage %
Bank Al Jazira	Saudi	10,500,000	30%
Al Jazira Capital Company	Saudi	1,750,000	5%
Consolidated Brothers Company	Saudi	1,750,000	5%
<b>Audience</b>		<b>21,000,000</b>	<b>%60</b>
<b>Total</b>		<b>35,000,000</b>	<b>%100</b>





## 6 Ownership of AJT shares by directors and Senior Executives , and Their relatives, and changes During 2020:

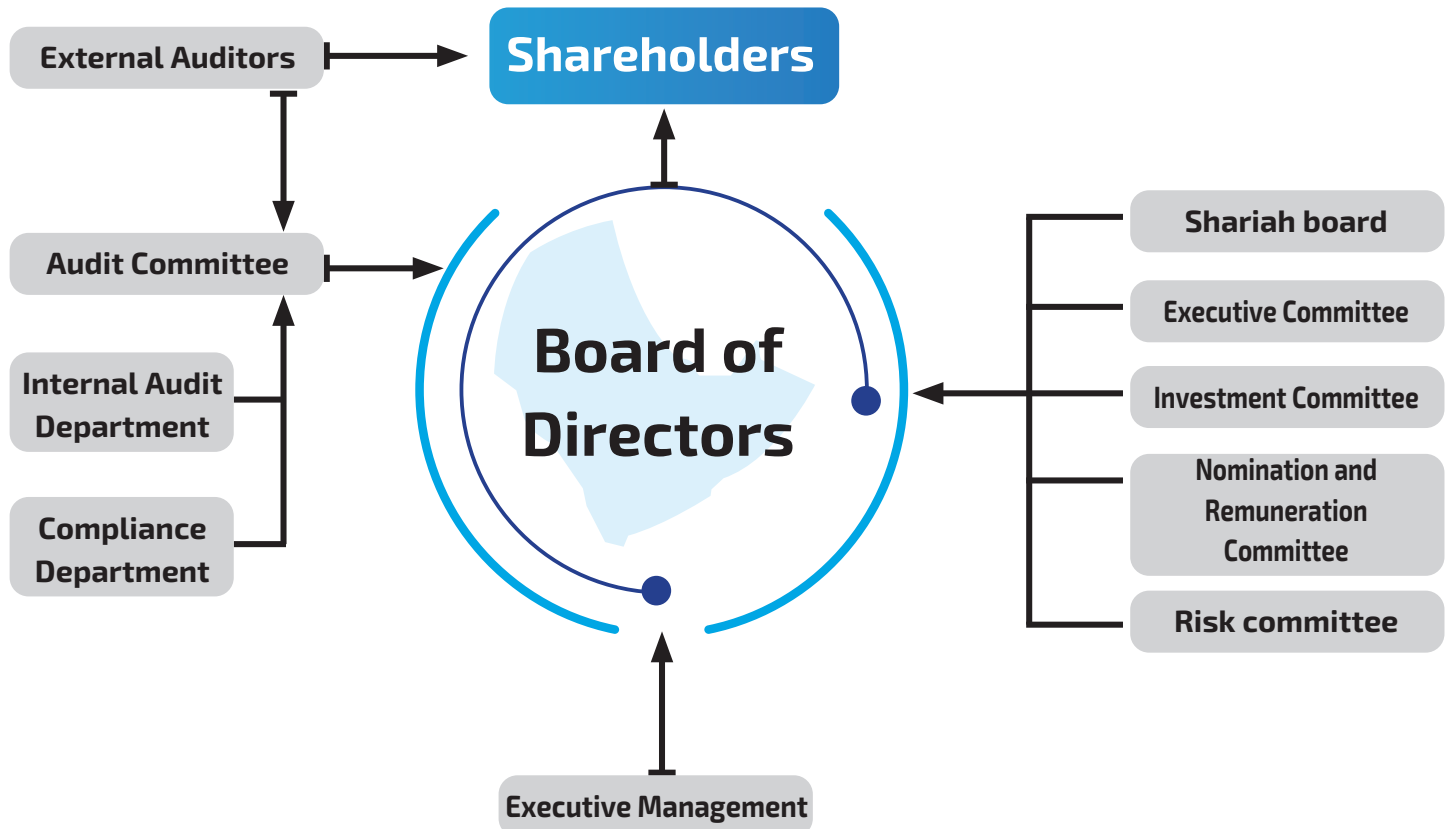
During the year, no notifications received from Board members, Senior Executives and their relatives regarding a change in the percentage of their ownership in the Company's shares during the Fiscal Year ending on December 31, 2020.

			Board of Directors							Senior Executives
Member			Abdulmajeed Ibrahim Al Sultan	Abdullatif Mohammed bin Ghaith	Ziad Tariq Aba Al-Khail	Sager Abdullatif Nadershah	Khaled Othman Al-Othman	Khalifa Nasser Al-Khalifah	<sup>1</sup> Saif Al-Alyazan bin Ahmed	Sager Abdullatif Nadershah
Year Beginning	Direct	#	0.0000	1.000	0.0000	10.000	1.000	1.000	-	10.000
		%	0.0000	0.0029	0.0000	0.029	0.0029	0.0029	-	0.029
	Indirect	#	-	-	-	-	-	-	-	-
		%	-	-	-	-	-	-	-	-
Change during the year	Direct	#	-	-	-	-	-	-	-	-
		%	-	-	-	-	-	-	-	-
	Indirect	#	-	-	-	-	-	-	-	-
		%	-	-	-	-	-	-	-	-
Year End	Direct	#	0.0000	1.000	0.0000	10.000	1.000	1.000	-	10.000
		%	0.0000	0.0029	0.0000	0.029	0.0029	0.0029	-	0.029
	Indirect	#	-	-	-	-	-	-	-	-
		%	-	-	-	-	-	-	-	-

1- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.



## 7 Governance structure



## 8 Board of Directors and Sub-Committees:

### 1.8 Board Members:

The Board of Directors consists of seven members appointed by the General Assembly every three years. The Board of Directors have been elected for its current session (3rd session), which started on 02/07/2019 and ends on 01/07/2022 AD by the General Assembly of Shareholders. The Board of Directors shall meet at least every three months, that is, at least four times a year, or whenever the need arises, at the invitation of the Chairman of the Board or at the request of two members. The quorum for a meeting of the Board is complete if attended by two thirds of the members or by proxy, provided that the number of attending members shall be not less than four members, including an independent member.



## BIOGRAPHIES OF BOARD MEMBERS

	Name	Current Positions	Previous Positions	Qualifications	Experience
1	Eng. Abdulmajeed bin Ibrahim AL sultan	AJT Chairman of the Board Deputy Chairman of Bank Aljazira. CEO – Consolidated Brothers Co	Credit Officer at Corporate Banking Group - National Commercial Bank. General Manager – Almarafik Construction Co Board Member - Qassim Cemint Co	BA in Petroleum Engineering - King Saud University.	Has extensive banking and investment experiences for more than 20 years. Experience in local and global markets, international economic environment, and a full awareness of the economic culture within KSA.
2	Eng. Ziyad bin Tariq Aba Al-Khail	AJT Deputy Chairman of the Board MD of Al Jazira Capital.	Acting CEO – Bank Aljazira. General Manager - Aljazira Bank. Group head – Bank Aljazira. Acting CEO - Al Jazira Capital Company. Deputy CEO – Bank Aljazira	BA in Civil Engineering - university of Southern California	Has high leadership skills and extensive experience in banking and investment sector. Experience in local and global markets, international economic environment, and a full awareness of the economic culture within KSA. Extensive experience in the field of strategy and development in banking and investment sector
3	Dr. Abdullatif bin Mohammed bin Ghaith	AJT Board Member - Independent. Founder and Chairman of the Board - Financial Leaders Training Center. CEO – The Gate Academy for Teaching Languages	Founder CEO of Tatweer Education Holding Company owned by the Public Investment Fund. CEO of SMSA Express Transport, the exclusive agent of FedEx in the Kingdom of Saudi Arabia. General Director of the Institute of Banking, SAMA. Acting Director General - Banking Institute, SAMA.	PhD in Inorganic Natural Chemistry - University of Arizona, Tucson. MSc in Chemistry - University of Washington. Bachelor of Science - Western Washington State University.	Establishing, managing, developing and improving the performance of a number of educational, training and service institutions in various stages of their existence, including the establishment of some of them and the management and improvement of financial and administrative performance. Providing consultations in various fields, including strategy, development, administration and education.
4	Mr. Sager bin Abdul Latif Nader shah	AJT Managing Director	Director of Retail Banking Services Department – Bank Al Jazira. Western Regional Manager - National Commercial Bank. Director of Sales Department - National Commercial Bank. Assistant General Manager - Saudi American Bank Board Member- Travelers Cheque Company.	Bachelor of Science in Criminal Justice -Bethune Cookman University. Executive Development Program - International Institute for Management Development. Administrative Capacity Development Program – Cranfield School of Management	More than 28 years of extensive experience in the field of retail banking. Experience in managing comprehensive operations in banking services which include lending, deposit products, branches, ATMs, POS, call center, internet. Experience in local and global markets, international economic environment, and a full awareness of the economic culture within KSA.
5	Mr. Khalid bin Othman Al-Othman	AJT Board Member - Non-Executive Senior Vice Chairman, Head of Retail Banking Group – Bank Al Jazira	Regional Director, Central Region - National Commercial Bank. Regional Director, Central Region - Banque Saudi Fransi. Director General of Branches Network - Bank Albilad. General Manager of Branches Network - Bank Al Jazira	MSc in Business Administration - London Business School, University of London.	Passion for leadership through business and retail banking for more than 24 years in a row. Extensive experience in managing branch networks and managing distribution channels. Experience in the development and strategic planning of banking.
6	Mr. Khalifa bin Nasser Al-Khalifa	AJT Board Member - Independent	Chairman of Audit and Risk Committee - Maceen Capital. Head of Retail Financial Services for Credit and Risk - Saudi British Bank Head of Risk Management - Saudi British Bank. Senior Credit & Risk Manager - Saudi British Bank.	BA in Administrative Sciences - King Abdul-Aziz University.	Worked for more than 25 years in the field of credit, finance, investment and risk management for both corporate and retail commercial banking. Experience in the fields of administration and development of financial institutions in a manner that aligns with the desired goals to be achieved through increasing effectiveness and efficiency, financial restructuring and operational administrative processes. Holds many advanced courses in the field of finance and management inside and outside KSA.
7	Mr. Saif Al-Alyazan bin Ahmed <sup>2</sup>	AJT Board Member - Independent	Takaful Adviser / Small and Medium Enterprises -Islamic banking and financial institution of Malaysia (IBFIM) CEO - ING PUBLIC Takaful Ehsan Berhad Lecturer professor -Universiti Teknologi MARA CEO - Syarikat Takaful Indonesia PT Delegated Board Member - PT Assurance Takaful Keluarga Delegated Board Member - PT Assurance Takaful Umum	MSc in Business Administration - Universiti Teknologi MARA MSc in Actuarial Science and Statistics - University of Iowa BA in Actuarial Sciences - University of Iowa	Success in improving the average pass rate in the basic Takaful examination from about 40% to 70%. Extensive experience of more than 20 years in the field of Takaful insurance and actuarial sciences. Provide insights on future trends in the global market, particularly in the financial sector.

<sup>2</sup> - Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.

### • Board of Directors Structure:

	Name	Membership Type
1	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Board Chairman - Non-Executive Member
2	Eng. Ziyad bin Tariq Aba Al-Khail	Deputy Chairman- Non-Executive Member
3	Dr. Abdullatif bin Mohammed bin Ghaith	Independent member
4	Mr. Sager bin Abdultatif Nader shah	Managing Director - Executive Member
5	Mr. Khalid bin Othman Al-Othman	Non-executive member
6	Mr. Khalifa bin Nasser Al-Khalifa	Independent member
7	Mr. Saif Al-Alyazan bin Ahmed <sup>3</sup>	Independent member

### • Board meetings for the year 2020:

	Name	Position	Membership Type	Meetings (4)				Total
				1st meeting 23/03/2020	2nd meeting 30/6/2020	3rd meeting 22/8/2020	4th meeting 29/12/2020	
1	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Chairman	Non-executive	√	√	√	√	4
2	Eng. Ziyad bin Tariq Aba Al-Khail	Deputy Chairman	Non-executive	√	√	√	√	4
3	Dr. Abdullatif bin Mohammed bin Ghaith	Board Member	Independent	√	√	√	√	4
4	Mr. Saqr bin Abdullatif Nader shah	Managing Director	Executive	√	√	√	√	4
5	Mr. Khalid bin Othman Al-Othman	Board Member	Non-executive	√	√	√	√	4
6	Mr. Khalifa bin Nasser Al-Khalifa	Board Member	Independent	√	√	√	√	4
7	Mr. Saif Al-Alyazan bin Ahmed <sup>4</sup>	Board Member	Independent	-	-	-	-	-

General Assembly Last Meeting Date 1/6/2020 (one meeting)

3- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.

4- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.

## 2.8 Board's Sub-Committees:

Board of Directors' Sub-Committees carry out their duties and responsibilities aimed at raising the level of supervision, control and decision-making controls in the Company. The Board's Sub-Committees include members of the Board and members from outside the Board. The table below shows the structure of these committees.

### a- Executive Committee:

The Executive Committee consists of five members, it is chaired by the Chairman of the Board of Directors; the committee holds six meetings according to the Governance Regulations at least annually. The committee meeting is not valid unless attended by the majority of its members personally or by proxy. The decisions of the Executive Committee are issued by the majority. When there is a tie, the Chairman of the Committee shall have the casting vote. The committee's decisions are documented in minutes prepared by the Committee's Secretary and signed by the committee's Chairman and members.

### Key roles and responsibilities:

The main objective of the Executive Committee is to monitor the performance of the Company on a regular basis, review objectives, budgets and financial plans before submitting them to the Board for approval, and ensure the progress of work in accordance with the plans and strategies approved by the Board of Directors. Please refer to the Board of Directors table shown above in Clause 1.8, explaining a brief summary of each member.

### Meetings of the Executive Committee during the fiscal year 2020 AD:

	Name	Position	Membership Type	Meetings (6)					
				1st meeting 23/03/2020	2nd meeting 30/06/2020	3rd meeting 22/08/2020	4th meeting 28/10/2020	5th meeting 25/11/2020	6th meeting 29/12/2020
1	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Committee Chairman	Non-executive	✓	✓	✓	✓	✓	✓
2	Eng. Ziyad bin Tariq Aba Al-Khail	Board Member	Non-executive	✓	✓	✓	✓	✓	✓
3	Mr. Sager bin Abdullatif Nader Shah	Board Member	Executive	✓	✓	✓	✓	✓	✓
4	Mr. Khalid bin Othman Al-Othman	Board Member	Non-executive	✓	✓	✓	✓	✓	✓
5	Mr. Saif Al-Alyazan bin Ahmed <sup>5</sup>	Board Member	Independent	-	-	-	-	-	-

### b- Audit Committee:

The Ordinary General Assembly of the Company's shareholders, in its meeting held on May 1, 2019, approved the Committee charter of the Audit Committee based on the recommendation of the Board of Directors. The Audit Committee consists of three members. The Committee includes members from outside the Board of Directors. The Committee holds at least six meetings annually. The Committee's decisions are recorded in minutes prepared by the Committee Secretary and signed by the Committee Chairman and members.

<sup>5</sup>- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.





• **Key roles and responsibilities:**

The committee is responsible before the Company's Board of Directors and assists it in carrying out its responsibilities, the most important of which are:

- 1- Ensuring an effective internal Control and Compliance Rules.
- 2- Analyzing the Company's interim and annual financial statements before presenting them to the Board.
- 3- Monitoring and overseeing the performance and activities of the internal auditor and internal audit department and compliance department of the company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.

Name	Current Positions	Previous Positions	Qualifications	Experience
1 Mr. Khalifa bin Nasser Al-Khalifa	Committee Chairman	Chairman of Audit and Risk Committee - Maceen Capital Head of Retail Financial Services for Credit and Risk - Saudi British Bank Head of Risk Management - Saudi British Bank Senior Credit & Risk Manager - Saudi British Bank.	BA in Administrative Sciences - King Abdul-Aziz University.	Working more than 25 years in the field of credit, finance, investment and risk management for both corporate and retail commercial banking. Experience in the fields of administration and development of financial institutions in a manner that aligns with the desired goals to be achieved through increasing effectiveness and efficiency, financial restructuring and operational administrative processes. Holds many advanced courses in the field of finance and management inside and outside KSA.
2 Mr. Adel bin Saleh Al Alhowar	Committee Member. Board Member and Member of the Audit Committee - Stusid Bank. Member of the Board of Directors, Al-Raya Finance Company. Board Member and member of the Executive Committee - Saeed Ghodran Group	Vice Chairman of the Board of Directors, Arab Financial Services Company. Chairman of the Board of Directors - SIMAH. Board Member - Al-Ahly Takaful Company.	Higher Diploma in Banking Studies - Institute of Banking Studies - Jordan	Working for more than 28 years in the field of retail banking and the banking sector.
3 Mr. Mohammed bin Ali Alammari	Committee Member. Chairman and member of the Executive Committee - Saba Islamic Bank. Chairman and member of the Executive Committee - African Saba Bank. Board Member and Member of the Executive Committee - Investrade Chief Internal Auditor, Islamic Corporation for the Development of the Private Sector, Member of the Islamic Development Bank Group.	Member of the Board of Directors and Member of the Audit Committee - Maldives Islamic Bank. Board Chairman - CGI Board Member and Chairman of the Audit Committee - Ewan International Housing Company. Chairman and Member of the Audit Committee - Lease Management Services Company Ltd. (Bahrain)	MSc in Accounting - King Abdul-Aziz University. MSc in Accounting - University of Illinois at Urbana - Champaign MSc in Finance - University of Illinois at Urbana - Champaign Holds several professional certifications specializing in auditing and internal controls	Experience of more than 20 years in the banking sector, which includes banking, electronic and financial services, new investment products and enhancing the role of the banking sector in economic development. Holds many advanced courses in the field of auditing and internal controls.

• **Audit committee meetings during Fiscal Year 2020:**

Name	Position	Membership Type	Meetings (8)							
			1st meeting 12/02/2020	2nd meeting 16/03/2020	3rd meeting 15/06/2020	4th meeting 16/08/2020	5th meeting 02/11/2020	6th meeting 03/11/2020	7th meeting 15/12/2020	Annual meeting with the Board of Directors 29/12/2020
1 Mr. Khalifa bin Nasser Al-Khalifa	Committee Chairman	Independent	✓	✓	✓	✓	✓	✓	✓	✓
2 Mr. Adel bin Saleh Alhowar	Member outside the Board		✓	✓	✓	✓	x	✓	✓	✓
3 Mr. Mohammed bin Ali Alammari			✓	✓	✓	✓	✓	✓	✓	✓



## Risk Committee:

The Risk Committee consists of three members and meets periodically at least four times annually or whenever the need arises. The meeting of the committee shall not be held except in the presence of the majority of its members. A member may delegate another member to attend the meeting on his behalf or vote for him in the meetings. The committee's decisions are documented in minutes prepared by the committee's secretary and signed by the committee's chairman and members.

### • Key roles and responsibilities:

The main role of the Risk Management Committee is to supervise the risk management strategy of the Company after its approval by the Board of Directors in order to limit the Company's exposure to risks. The committee reviews the procedures that have been taken to ensure an effective risk management organizational structure.

	Name	Current Positions	Previous Positions	Qualifications	Experience
1	Mr. Khalifa bin Nasser Al-Khalifa	Committee Chairman	Chairman of Audit and Risk Committee - Maceen Capital Head of Retail Financial Services for Credit and Risk - Saudi British Bank Head of Risk Management - Saudi British Bank. Senior Credit & Risk Manager - Saudi British Bank.	BA in Administrative Sciences - King Abdul-Aziz University.	Working more than 25 years in the field of credit, finance, investment and risk management for both corporate and retail commercial banking. Experience in the fields of administration and development of financial institutions in a manner that aligns with the desired goals to be achieved through increasing effectiveness and efficiency, financial restructuring and operational administrative processes. Holds many advanced courses in the field of finance and management inside and outside KSA.
2	Mr. Ibrahim bin Mohammed Al-Harabi	Committee Member Advisor - Nayef Al-Rajhi Investment Company	Senior Vice CEO and Head of the Internal Audit Group at Bank Aljazira Director General- Communications and Information Technology - Communications and Information Technology Commission. Director of Information Security and Control Department - SAMA. Internal Auditor - Ernst & Young. Internal Auditor - Central Bank of Saudi Arabia.	BA in Sharia - Imam Muhammad bin Saud University. Higher Diploma in Financial Supervision - Institute of Public Administration	Extensive experience in the field of internal audit in financial institutions for a period of more than 20 years
3	Mr. Adel bin Saleh Alhowar	Committee Member. Board Member and Member of the Audit Committee - Stusid Bank. Member of the Board of Directors, Al-Raya Finance Company. Board Member and Member of the Executive Committee - Saeed Ghodran Group	Vice Chairman of the Board of Directors, Arab Financial Services Company. Chairman of the Board of Directors - SIMAH. Board Member - Al-Ahly Takaful Company. Board Member and Member of the Audit Committee - Stusid Bank.	Higher Diploma in Banking Studies - Institute of Banking Studies - Jordan	Working for more than 28 years in the field of retail banking.

### • Risk Committee Meetings for Fiscal Year 2020 AD

	Name	Position	Membership Type	Four Meetings			
				1st meeting 12/02/2020 AD	2nd meeting 16/03/2020 AD	3rd meeting 09/12/2020 AD	4th meeting 16/12/2020 AD
1	Mr. Khalifa bin Nasser Al-Khalifa	Committee Chairman	Independent	✓	✓	✓	✓
2	Mr. Ibrahim bin Mohammed Al-Harabi	Member outside the Board		✓	✓	✓	✓
3	Mr. Adel bin Saleh Al-Howar			✓	✓	✓	✓

### c- Investment Committee:

The Investment Committee consists of four members appointed by the Board of Directors and meets periodically at least four times annually or whenever needed. The meeting of the committee shall not be held except in the presence of the majority of Members. A member may delegate another member to attend the meeting on his behalf or vote for him in the meetings. The committee's decisions are documented in minutes prepared by the committee's secretary and signed by the committee's chairman and members.

#### Key roles and responsibilities:

The main role of the Investment Committee is to supervise the implementation of the investment policies of the Company after approval by the Board of Directors in a way that guarantees increased investment returns in a manner that does not conflict with the provisions of Islamic Sharia and the regulations and instructions of the legislative authorities. Please refer to the Board of Directors table shown above in Clause 1.8, explaining a brief summary of each member.

#### • Investment Committee Meetings for Fiscal Year 2020 AD:

	Name	Position	Member-ship Type	Meetings (4)			
				1st meeting 23/03/2020	2nd meeting 30/06/2020	3rd meeting 22/08/2020	4th meeting 29/12/2020
1	Eng. Ziyad bin Tariq Aba Al-Khail	Committee Chairman	Non-executive	✓	✓	✓	✓
2	Eng. Abdulmajeed bin Ibrahim Al-Sultan	Member	Non-executive	✓	✓	✓	✓
3	Dr. Abdullatif bin Mohammed bin Ghaith	Member	Independent	✓	✓	✓	✓
4	Mr. Sager bin Abdullatif Nader Shah	Member	Executive	✓	✓	✓	✓

### d- Nomination and Remuneration Committee:

The Ordinary General Assembly of the Company's shareholders, in its meeting held on 3 July 2016 AD, approved the Committee charter for the Nomination and Remuneration Committee based on the recommendation of the Board of Directors. The Committee consists of four members appointed by the Board of Directors and meets periodically at least twice annually or whenever the need arises. The meeting of the committee shall not be held except in the presence of the majority of its members. A member may delegate another member to attend the meeting on his behalf or vote for him in the meetings. The committee's decisions are documented in minutes prepared by the committee's secretary and signed by the committee's chairman and members.

#### Key roles and responsibilities:

- 1- Preparing a clear policies and standards for membership in the Board of Directors and the Executive Management.
- 2- Evaluating and monitoring the independence of the members of the Board of Directors and its subsidiary committees, and ensure that there is no conflict of interest.
- 3- Annually reviewing the skills and expertise required of the Board members and the Executive Management;
- 4- preparing a clear policy for the remunerations of the Board members and its committees and the Executive Management , in accordance with the Articles of Association of the Company.



	Name	Current Positions	Previous Positions	Qualifications	Experience
1	Dr. Abdul Latif bin Mohammed bin Ghaith	Committee Chairman	Founder CEO - Education Development Holding Company. CEO - SMSA Express. Director General of the Institute of Banking at SAMA. Assistant Professor - King Saud University.	PhD in the Inorganic Chemistry- University of Arizona Tucson. MSc in Chemistry - University of Washington. Bachelor of Science - Western Washington State University.	Establishing, managing, developing and improving the performance of a number of educational, training and service institutions in various stages of their existence, including the establishment of some of them and the management and improvement of financial and administrative performance. Providing consultations in various fields, including strategy, development, administration and education.
2	Mr. Tariq bin Abdulrahman Al-Shubaily	Senior Vice President and Head of the Human Resources Group at Bank Aljazira	Director General of Human Resources Department - Saudi British Bank. Senior Consultant in Human Resources and Development - Saudi British Bank. Executive Assistant to Vice CEO - Mawared Holding Group.	B.Sc. in Business Administration - Ohio State University	Extensive experience in the field of human resources gained through the various positions he held previously, especially in the financial services sector
3	Mr. Yasser bin Ali Al-Hadithi	Senior Vice President of Treasury Group at Bank Aljazira	Director General of Treasury Group - Arab National Bank. Head of the Treasury Trading Department - Saudi American Bank.	BA in Accounting - King Saud University.	Has extensive experience in treasury and financial services for more than 17 years
4	Mr. Saif Al-Alyazan bin Ahmed <sup>6</sup>	Board Member - Independent	Takaful Adviser / Small and Medium Enterprises -Islamic banking and financial institution of Malaysia (IBFIM) CEO - ING PUBLIC Takaful Ehsan Berhad Lecturer professor -Universiti Teknologi MARA CEO - Syarikat Takaful Indonesia PT Delegated Board Member - PT Assurance Takaful Keluarga	MSc in Business Administration - Universiti Teknologi MARA MSc in Actuarial Science and Statistics - University of Iowa BA in Actuarial Sciences - University of Iowa	Success in improving the average pass rate in the basic Takaful examination from about 40% to 70%. Extensive experience of more than 20 years in the field of Takaful insurance and actuarial sciences. Provide insights on future trends in the global market, particularly in the financial sector.

## Nomination and Remuneration Committee Meetings

	Name	Position	Membership Type	Meetings (2)	
				1st meeting 11/08/2020	2nd meeting 31/12/2020
1	Dr. Abdullatif bin Mohammed bin Ghaith	Committee Chairman	Independent	✓	✓
2	Mr. Tariq bin Abdulrahman Alshubaily	Member	Member outside the Board	✓	✓
3	Mr. Yasser bin Ali Alhadithi	Member		x	✓
4	Mr. Saif Al-Alyazan bin Ahmed <sup>7</sup>	Board Member	Independent	-	-

<sup>7</sup>- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.



## e- Sharia Committee:

The Sharia Board consists of three members who are not members of the Board of Directors specialized in Islamic economics. The committee is responsible for providing Sharia opinion regarding the Company's business to ensure its compatibility with the provisions of Islamic Sharia.

	Name	Current Positions	Previous Positions	Qualifications	Experience
1	Sheikh. Muhammad bin Ali al-Qari	Committee Chairman	Director of the Islamic Economics Research Center - King Abdul-Aziz University. Member of the Scientific Committee - Islamic Fiqh Academy. Member of the Scientific Committee - Islamic Research and Training Institute	PhD in Economics - University of California.	Has extensive experience of more than 22 years in the field of Islamic economics in financial and banking institutions.
2	Sheikh. Yusuf bin Abdullah Al-Shubaily	Member	Sharia researcher in the Board of Grievances. Lecturer at the Institute of Islamic and Arabic Sciences - Washington.	BA in Sharia - Imam Muhammad bin Saud Islamic University. MA from the Higher Institute of "Comparative Jurisprudence" for the judiciary - Imam Saud Islamic University. PhD from the Higher Institute of "Comparative Jurisprudence" for the judiciary - Imam Saud Islamic University.	Has a wide range of experiences through many Sharia advisory roles.
3	Sheikh. Abdullah bin Abdul-Aziz Al-Musleh	Member	Director of Imam Muhammad bin Saud Islamic University branch in Abha Work at the Deanship of the College of Sharia and Fundamentals of Religion and Director of the Imam University branch in Abha.	BA in Sharia - Imam Muhammad bin Saud Islamic University. MA in Sharia - Imam Muhammad bin Saud Islamic University. PhD in Sharia - Imam Muhammad bin Saud Islamic University.	Has a wide range of experiences through many Sharia advisory roles.

## Sharia Committee Meetings:

	Name	Position	Membership Type	One Meeting
				1st meeting 02/12/2020
1	Sheikh. Muhammad bin Ali al-Qari	Committee Chairman	Member outside the Board	√
2	Sheikh. Yusuf bin Abdullah Al-Shubaily	Member	Member outside the Board	√
3	Sheikh. Abdullah bin Abdulaziz Al-Musleh	Member	Member outside the Board	√



## 9 Membership of Board Members in Other Companies:

### Inside / Outside KSA

	Member Name	Names of companies in which the Board Member is a member in their current Boards of Directors or of one of their Directors	Inside / Outside KSA	Legal Entity
1	Eng. Abdulmajeed bin Ibrahim Al Sultan	Consolidated Brothers Co Al Jazira bank Durra Development Co Royal & Sun Alliance Middle East	Inside KSA Inside KSA Inside KSA Outside KSA	Unlisted Company Listed joint stock Company Unlisted Company Unlisted Company
2	Eng. Ziyad bin Tariq Aba Al-Khail	Aljazira Capital Co	Inside KSA	Unlisted Company
3	Dr. Abdullatif bin Mohammed bin Ghaith	Yamamah University Future Leaders Company for Education Financial Leadership Center for Training	Inside KSA	Privet University A Limited Liability Company A Limited Liability Company
4	Mr. Sager bin Abdullatif Nader Shah		None	
5	Mr. Khalid bin Othman Al-Othman	Saudi Financial Support Services Company "SANID"	Inside KSA	Unlisted Company
6	Mr. Khalifa bin Nasser Al-Khalifa		None	
7	Mr. Saif Al-Alyazan bin Ahmed <sup>8</sup>		None	

8- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.



## 10 Biographies of Executive Management:

The members of the senior management are reported to the managing director (except for the internal audit and compliance departments, which reported to Audit Committee of the Board of Directors). Their responsibilities include implementing the Company's strategic plans, managing its day-to-day activities, setting the necessary procedures to identify, measure, reduce and monitor risks in addition to setting the necessary policies and procedures to ensure the efficiency of operations and the effectiveness of the Internal Control Rules including keeping the documents, auditing the accounts, ensuring the progress of the Company's business according to the directives of the Board of Directors, submitting the required reports to it on times and ensuring that all the supervisory requirements are met to the maximum extent possible.

	Name	Current Positions	Previous Positions	Qualifications	Experience
1	Ahmed Abdul Quddus Fadl Ali	VP of Operations Department	Vice Head - Head of Internal Technology Audit - Bank Aljazira Vice Head - Director of Infrastructure and Information Technology - Bank Aljazira Vice Head - Director of Information Technology Center - National Bank Vice Head - Director of Total Quality of Operations - National Bank Systems Development and Information Technology Department - Saudi Aramco	BA of Computer Science - Systems Engineering	Joined Al Jazira Takaful Company in July 2019 as Vice Head of Operations Has more than 29 years of experience in reviewing and audit management, information technology management, preparation and management of computer centers, total quality management of operations, strategic planning and project management
2	Nasreen bint Abdul Aziz Banjar <sup>9</sup>	Vice Head of Human Resources	Recruitment Manager at King Abdullah Medical Complex General Manager of Sales at Saudi American Bank Director of Development and Training Programs at Abdullatif Jameel Company Ltd.	MSc of Human Resources Management	Joined Aljazira Takaful Company as Vice Head of Human Resources in 2014 Has over 20 years of experience in management, sales, software development, and human resources
3	Mohammed Hamad Alsoqor	Chief Compliance Officer	Family Takaful Product Service Manager at SABB Takaful Chief Operating Officer at SABB Takaful Senior Director, Collection and Procurement at SABB Takaful Senior Compliance Director at SABB Takaful.	Bachelor of Business Administration	Joined Aljazira Takaful Taawuni Company in September 2019. Has 20 years of experience in compliance, operations, collection management, procurement and customer service.
4	Abdullah bin Ahmed Alqarni	CAE and Board Secretary	Financial Audit Manager, Gulf International Bank Internal Audit Manager at Swicorp Financial Institution Co. Internal Audit Manager at Bank Aljazira AML/CTF Officer at Bank Aljazira Compliance Officer at Bank Aljazira Head of Compliance Department and Secretary of the Board at Aljazira Takaful Taawuni	MBA - Finance	Joined Aljazira Takaful Taawuni Company in November 2016. Has 15 years of experience in the areas of compliance, anti-money laundering, terrorist financing and internal auditing
5	Moath bin Yahya Al-Hadi	VP Head of Risk Department	Risk Manager at Abdullatif Jameel United Finance Company Risk Officer at Alawwal Capital Financial Analyst at the Saudi Arabian Mining Company	Master of Islamic Finance and Banking Sciences	Joined Al Jazira Takaful Taawuni Company in late 2017. Has more than 10 years of experience in risk management, finance and development
6	Muhammad ibn Azrul Abu al-Hasan <sup>10</sup>	Director of Actual Services	Senior Head of Actuarial Services at Al Rajhi Takaful	MSc of Actuarial Sciences	Joined Al Jazira Takaful Taawuni Company in 2015. Has 8 years of experience in Actuarial Services Management
7	Muhammad Mansour Ali Akbar Bukhari	Head of Information Security Department	Information security engineer at SAMREF. Cybersecurity management system engineer at SAMREF.	MSc in Industrial Engineering	Joined Aljazira Takaful Company in November 2019 as Head of Information Security Department. Has more than 6 years of experience in information security
8	Mohammed bin Munir Quds	Head of Reinsurance Department	Information Systems Officer at National Commercial Bank	MA of Business Information Technology	Joined Al Jazira Takaful Taawuni Company in late 2015. Has experience of about 5 years
9	Albandari Abdullah Saleh Alhussaini	Acting Head of Customer Care Department	Customer service supervisor at Aljazira Takaful	BA in Islamic Studies	Joined Aljazira Takaful Company in May 2016. Has an experience of more than 4 years

9- (Employment relationship ended due to the resignation of the employee on 31/8/2020)

10- (Employment relationship ended due to the resignation of the employee on 11/8/2020)

## 11 General Assembly Meeting 2020:

**Clause 1:** Approval of the Board of Directors' report for the Fiscal Year ending 31/12/2019

**Clause 2:** Approval of the financial statements for the Fiscal Year ending on 31/12/2019

**Clause 3:** Approval of the Auditors' Report for the Fiscal Year ending on 31/12/2019.

**Clause 4:** Approval the discharge of the Board members from any liabilities during the fiscal year ending 31/12/2019.

**Clause 5:** Approval of the reappointment of Crowe Global / AlAzem, AISudairy Partners CPA's and KPMG Al Fawzan & Partners from among the candidates based on the Audit Committee's recommendation, in order to examine, review and audit the financial statements for the second, third and quarter of the fiscal year 2020 AD and the first quarter of the Fiscal Year 2021 AD and determine their fees.

**Clause 6:** Approval of payment of an amount of SAR 1,335 million as an annual remuneration to the members of the Board of Directors for the Fiscal Year ending on 31/12/2019

**Clause 7:** Approval of the business and contracts that will be concluded between the Company and Bank Aljazira (a related party) represented in the group insurance policies for the personal finance portfolio, the group insurance agreement for the mortgage portfolio, the group insurance services agreement for the bank's employees, and the purchase of instruments, the loan portfolio protection services agreement for the bank's employees in which the following Board members have an indirect interest in it, noting that the total amount of the transactions that took place with the bank in the previous year amounted to 281,885 million riyals without preferential terms.

Eng. Abdulmajeed bin Ibrahim AL sultan

Eng. Ziyad bin Tariq Aba Alkhail

Mr. Khalid bin Othman Al-Othman

**Clause 8:** Approval of the business and contracts that will be concluded between the Company and Aljazira Capital (a related party) represented in a contract to manage profits resulting from mutual funds in which the following

Board members have an indirect interest, noting that the total amount of the transactions that took place with the Company in the previous year amounted to 2,597 million riyals without preferential terms.

Eng. Abdulmajeed bin Ibrahim AL sultan

Eng. Ziyad bin Tariq Aba Alkhail

Mr. Khalid bin Othman Al-Othman

**Clause 9:** Approval of the business and contracts that will be concluded between the Company and Aman Insurance Company wholly owned by Bank Aljazira (a related party) represented by the Insurance Sales Agency, in which the following Board members have an indirect interest in it. These contracts are the marketing of insurance products to a Company Aljazira Takaful for Bank Aljazira customers through the bank's channels, noting that the total amount of transactions that took place with Aman Company for the Insurance Agency in the previous year amounted to 1,991 thousand riyals without preferential conditions.

Eng. Abdulmajeed bin Ibrahim AL sultan

Eng. Ziyad bin Tariq Aba Alkhail

Mr. Khalid bin Othman Al-Othman

**Clause 10:** Approval of the business and contracts that will be concluded between the Company and the member of the Board of Directors, Mr. Sager bin Abdullatif Nader Shah, represented in individual insurance documents in return for annual installments, in which he has a direct interest, without preferential conditions, noting that the total amount of transactions that took place with him in the previous year amounted to 8 thousand riyals.

**Clause 11:** Approval of the business and contracts that will be concluded between the Company and the member of the Board of Directors, Mr. Khaled bin Othman Al-Othman, represented in individual insurance documents in return for annual installments, in which he has a direct interest, without preferential conditions, noting that the total amount of transactions that took place with him in the previous year amounted to 39 thousand riyals.

	Name	Attendance
		1st Assembly Meeting 01/06/2020
1	Abdulmajeed bin Ibrahim Al Sultan	✓
2	Ziyad bin Tariq Aba Al-Khail	✓
3	Abdullatif bin Mohammed bin Ghaith	✓
4	Sager bin Abdullatif Nader Shah	✓
5	Khalid bin Othman Al-Othman	✓
6	Khalifa bin Nasser Al-Khalifa	✓
7	Saif Al-Alyazan bin Ahmed <sup>11</sup>	✗

11- Membership expired as he passed away on Saturday 28-06-1441 A.H., corresponding to 22-2-2020 A.D.

## 12 Corporate Governance System:

The Board of Directors of Aljazira Takaful Taawuni has always placed a central emphasis on the Company's corporate governance standards because of their impact on increasing transparency and protecting the interests of shareholders and customers in light of following best practices and policies in governance.

The Company also relied on procedures that would instill a Clare governance culture within it. These procedures also confirm the extent of the Company's commitment to financial transparency and principles of fairness and disclosure of financial information and make it available to all users of this information, including regulators, customers, business partners and other concerned parties.

The Company's governance includes an internal system that includes policies, individuals and processes with the aim of achieving the interests of shareholders and other stakeholders, through effective guidance and control of administrative activities where the Board of Directors of Aljazira Takaful Taawuni Company complies with the requirements of corporate governance issued by the Board of the Capital Market Authority as well as the Central Bank of Saudi Arabia. Concerning setting up an effective legal framework for Company's governance by developing the following:

1. Stating the competencies and responsibilities of the Board and the Executive Management.
2. Enhancing the role of the Board and the committees and developing their capabilities to enhance the Company's decision-making mechanisms.
3. Achieving transparency, impartiality and equity in the Exchange, its transactions, and the business environment and enhance disclosure therein.
4. Enhancing the Company's internal control mechanisms and rules, as the Audit Committee is entitled to monitor the Company's business and verify the safety and integrity of the reports, financial statements and internal control rules therein, adhere to the legal and regulatory requirements and policies adopted in the Company, and ensure the efficiency and independence of the auditor, control and supervise the performance of the internal audit activity, the compliance management and the internal auditors. .
5. Establishing the general framework for dealing with Stakeholders and protecting their rights.

From this standpoint, Aljazira Takaful Taawuni Company was keen to comply with all the mandatory requirements included in the Corporate Governance Regulations issued by a decision of the Board of the Capital Market Authority, except for the following:

Article	Article requirements	Reason
41 E.	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	Indicative Article
85 Paragraph 2	Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such programs.	Indicative Article
85 Paragraph 3	Establishing social organizations for the benefit of the Company's employees.	Indicative Article
87	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Indicative Article
88	The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include: 1) establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities; 2) disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility; 3) disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and 4) Establishing awareness programmers to the community to familiarize them with the Company's social responsibility	Indicative Article
95	If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	Indicative Article
93 subparagraph (b) from paragraph( 4)	Disclosure of senior executives bonuses	Data is included in the aggregate.

### 13 Register of shareholders

Number of Company applications for shareholder register	Application Date	Application Reasons
1	01/06/2020 AD	General Assembly
2	16/08/2020 AD	Company Procedures
3	10/11/2020 AD	Company Procedures
4	06/12/2020 AD	Company Procedures
5	06/12/2020 AD	Company Procedures
6	22/12/2020 AD	Company Procedures
7	22/12/2020 AD	Company Procedures
8	22/12/2020 AD	Company Procedures
9	24/12/2020 AD	Company Procedures

### 14 Shareholders' suggestions for the Company and its performance:

In line with the relevant regulations, and as a general rule, the company ensures that the shareholders have the ability to exercise their rights completely, including their right to give feedback about the company and its performance through General Meetings and through the Investor Relationship Unit.

### 15 Evaluating Board Performance and Senior Management:

The performance evaluation of Board Members and its committees is based on the following method:

- 1-The extent to which the member meets the fitness criteria
- 2- Member commitment to attend meetings
- 3-Independence and the absence of a conflict of interest, which may prevent its continuation.

The Board is entitled to make the necessary arrangements to obtain the evaluation of a competent external body of its performance every three years when needed. The non-executive members of the Board of Directors, when needed, may conduct a periodic evaluation of the performance of the chairman of the Board after taking the views of the executive members without the chairman of the Board attending the discussion designated for this purpose as well as identifying strengths and weaknesses and propose remedies in accordance with the interest of the Company.

The evaluation of Senior Management Performance depends on the following methods:

**The Balanced Scorecard including four main objectives:**

Financial Objective.

Customer Objective (internal and external)

Internal System.

The objective of the establishment personnel (development - training - human elements and information systems)

Comprehensive Evaluation: It includes evaluation of other capabilities and competencies such as behavior, attendance, teamwork, appearance, and other basic skills to obtain a comprehensive evaluation of each member.

#### 1.15 Remuneration Policy for Board Members and Senior Management:

**A. Board members' compensation and fixed remuneration:** Board members' compensation consists of the following elements:

1. **Fixed Annual Bonus:** The Board Chairman and members shall receive a fixed annual remuneration as shown below:
2. **Allowance for attending meetings:** Each Board member shall receive an amount of (5,000) five thousand riyals for each Board meeting and General Assembly he attends (excluding travel, accommodation and subsistence expenses)

Position	Fixed annual bonus amount
Chairman of the Board	180,000 riyals
(Each member of the Board (independent - executive - non-executive)	120,000 riyals



**3. Meeting attendance expenses:** The Company arranges for Board members to attend General Assemblies meetings and pays the actual expenses they incur in order to attend Board and General Assembly meetings, including travel, accommodation and subsistence expenses.

**a. Fixed Compensation and Remuneration for Members of the Board Committees:** Compensation of Board Committees' Members consists of the following elements:

**1- A fixed annual Remuneration for Board Committees' Members:** The independent Board Committees' Members shall receive a fixed annual remuneration as shown below:

Committee Name	Board Members	Members from outside the Board of Directors
Executive committee	None	None
Investment Committee	None	None
Audit Committee	None	100,000 riyals
Risk Committee	None	50,000 riyals
Nomination and Remuneration Committee	None	50,000 riyals

**2- Allowance for attending meetings:** Each member of the sub-committees receives an amount of (5,000) five thousand riyals for each meeting he attends of which he is a member, including the attendance of committee heads to the meetings of the general assemblies (excluding travel, accommodation and subsistence expenses)

**3- Expenses for attending meetings:** The Company makes the necessary arrangements for the Board Committees' Members to attend their meetings, including the attendance of committee heads to the General Assembly meetings. It shall pay the actual expenses they incur in order to attend those meetings, including travel, accommodation and subsistence expenses.

### C. Annual variable remuneration for Board members and the Sub-committees \*:

In the event that the Company achieved profits by the end of the calendar year; the Board of Directors may, upon the recommendation of the Nomination and Remuneration Committee, distribute a percentage of the profits to some or all Board Committees' Members that do not exceed (10%) of the remaining net profit after deducting the reserves decided by the General Assembly in application of the provisions of Cooperative Insurance Companies Control Law and after distributing a profit to the shareholders of not less than (5%) of the Company's paid-up capital, provided that the entitlement of this remuneration is proportional to the number of sessions attended by the member and is linked to the Nominations and Remuneration Committee's evaluation for his duties, responsibilities and performance during the year.

\* Inapplicable to the Managing Director

### 2.15 Performance evaluation and determination of the Managing Director's remuneration:

Fixed remuneration for the Managing Director is determined by the Company's Board of Directors. At the end of each calendar year, the Managing Director formulates an operational plan for the Company (the estimated budget) for the next year and is presented and approved by the

Board of Directors, including the goals and success factors that the Managing Director needs to achieve the Company's vision and strategies, which are as follows:

- 1- Providing highly qualified, competent human resources
- 2- Working through advanced technology that contributes to enhancing the Company's competitiveness
- 3- Creating highly competitive and attractive products that contribute to the growth of the Company's customer base
- 4- Diversification of effective distribution channels that achieve the Company's goals
- 5- Achieving the target shareholders' net income, expected revenues and expenses

The Managing Director shall present, at the latest (December of each year) the annual operational plan of the Company to the Board of Directors for review and approval. The Nomination and Remuneration Committee shall be provided with a copy thereof after its approval by the Board of Directors and after announcing the annual results of the Company. At the end of the year, the Board of Directors shall evaluate the performance of the Managing Director, taking into account in his evaluation the following performance indicators:

- 1- The extent of achieving the vision and mission of the Company.
- 2- The extent to which the Company has implemented the operational plan approved by the Board of Directors
- 3- The extent to which the Company applies the regulations of the legislative authorities.
- 4- The extent of achieving the goal of net shareholders' income, revenues and expenses

The Board Nomination and Remuneration Committee shall recommend, based on the evaluation results shown above, the value of the annual Incentive Performance Bonus proposed to be granted to the Managing Director. When determining the bonus, the following shall be taken into consideration:

- 1- The committee shall take into consideration the practices of other companies in determining remuneration while avoiding any unjustified increase that may result from that
- 2- The remuneration shall be fair and shall not cause

any conflict of interest that would negatively affect the performance of the Company

3- It shall aim to achieve the interests of the insured and shareholders, and the Company's long-term strategic objectives

**b. Performance-related variable remunerations for members of senior management:**

«The annual performance remuneration is an incentive remuneration granted once annually to members of Senior Management, and it is directly related to individual and group performance levels and the financial results of the Company. In all cases, these remunerations are granted exclusively to directors who have obtained satisfactory performance results. Since the remuneration is based directly on the Company's performance and profit for that Fiscal Year, the performance bonuses are therefore not a guarantee, an acquired right, or a privilege at all, and it shall not be interpreted as such. The management shall also not refer to it as a fixed compensation, either explicitly or implicitly, unless contractually agreed with the managers of senior management at the time of contracting.

Aljazira Takaful Company aims to link a portion of the total compensation for senior management and senior executives to performance for the following reasons:

1- Clearly linking the Company's objectives to the performance and results of senior management directors, which have the greatest impact on achieving the Company's overall results.

2- Providing feedback on individual and group performance for each executive department

3- Stimulating awareness of the performance results of the executives to continue working and maintain them as long as possible

4- Linking variable remuneration to the long-term performance of senior management to mitigate risks and achieve stabilization to the Company

5- Achieving the interests of the insured and shareholders, and the Company's long-term strategic goals

Criteria for payment of the annual variable remuneration to members of Senior Management:

1- The Remuneration is paid to Directors who get satisfactory results in the Balanced Scorecard and the overall evaluation by the immediate manager or the Managing Director.

2- The remuneration shall be paid to managers who have completed at least 6 months of continuous work by the end of the year

3- The Director shall be on duty at the time the bonus is due, and has not submitted a request for resignation or unwillingness to renew the contract.

4- The Manager shall not have received a warning letter or conducted any investigation regarding any violation that year

- Noting that there is no fundamental deviation from the remuneration policy currently in force with what has been approved by the General Assembly.

**3.15 The relationship between the remunerations awarded and the applicable remuneration policy and the indication of any material deviation to this policy**

Fixed remuneration for senior management employees shall be determined according to the wage structure approved by the Company's Board of Directors. The structure consists of several job grades and each grade is divided into levels. The job grades and job level for senior management positions are determined through an evaluation process of their job duties, responsibilities and powers, taking into consideration their educational qualifications, professional experiences, competencies, skills and personal abilities in addition to taking into account the practices of other companies related to wages so that the Company's management can attract local competencies.



E. Board Remuneration Table (Thousand Saudi Riyals)

Name	Fixed Remunerations								Variable Remunerations						Aggregate Amount	Expenses Allowance
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End-of-service award		
<b>First: Independent Members</b>																
1- Abdul Latif Mohammed bin Ghaith	120	20	30				170						170		5	
2- Khalifa Nasser Al-Khalifah	120	20	60		Doesn't apply		200						200		15	
3- Saif Al-Alyazan bin Ahmed	18	0	0				18						18		8	
<b>Total:</b>	<b>258</b>	<b>40</b>	<b>90</b>				<b>388</b>						<b>388</b>		<b>28</b>	
<b>Second: Non-executive members</b>																
1. Abdul Majeed Ibrahim Al Sultan	180	20	50				250						250		5	
2. Ziad Tariq Aba Al-Khail	120	20	50		Doesn't apply		190						190		5	
3. Khaled Othman Al-Othman	120	20	30				170						170		5	
<b>Total</b>	<b>420</b>	<b>60</b>	<b>130</b>				<b>610</b>						<b>610</b>		<b>15</b>	
<b>Third: Executive Members</b>																
1- Saqr Abdul Latif Nader Shah	120	20	50		Doesn't apply		2,832	1,050	4,072				4,072		3	
<b>Total</b>	<b>120</b>	<b>20</b>	<b>50</b>				<b>2,832</b>	<b>1,050</b>	<b>4,072</b>				<b>4,072</b>		<b>3</b>	

## F. Remunerations of Senior Executives Table

Five senior executives who received the highest remuneration and compensation, including the managing director and the financial director (one thousand Saudi riyals)	
Salaries	3,471
Allowances	1,730
Incentive plans	1,965
Periodic and annual Remunerations	N/A
Any compensation or other benefits in kind paid monthly or annually	

## G. Committees Members Remuneration (Thousand Saudi Riyals)

Committee Name / Member Name	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total
<b>Executive Committee</b>			
Abdulmajeed Ibrahim Al Sultan	Doesn't apply	30	30
Ziad Tariq Aba Al-Khail		30	30
Khaled Othman Al-Othman		30	30
Sager Abdullatif Nadershah		30	30
Saif Al-Alyazan bin Ahmed		-	-
<b>Audit Committee</b>			
Khalifa Nasser Alkhalifa	Doesn't apply	40	40
Adel Saleh Alhowar	100	35	135
Muhammad Ali Alammari	100	40	140
<b>Risk Committee</b>			
Khalifa Nasser Alkhalifa	Doesn't apply	20	20
Adel Saleh Alhowar	50	20	70
Ibrahim Mohammed Alharabi	50	20	70
<b>Nomination and Remuneration Committee</b>			
Abdul Latif Mohammed bin Ghaith	Doesn't apply	10	10
Tariq Abdul Rahman Alshubaily	50	10	60
Yasser Ali Alhadithi	50	5	55
Saif Al-Alyazan bin Ahmed	-	-	-
<b>Investment Committee</b>			
Ziad Tariq Aba Al-Khail	Doesn't apply	20	20
Abdulmajeed Ibrahim Al Sultan		20	20
Abdul Latif Mohammed bin Ghaith		20	20
Sager Abdullatif Nadershah		20	20
<b>Sharia Committee</b>			
Sheikh/ Dr. Muhammad Ali Al-Qari	50	5	55
Sheikh/ Dr. Yousef Abdullah Alshubaily	50	5	55
Sheikh/ Dr. Abdullah Abdul-Aziz Almusleh	50	5	55

## 16 Result of the annual review of the effectiveness of the Company's internal control procedures:

Aljazira Takaful Company Management is responsible for establishing and maintaining an adequate and effective internal control framework that includes policies, procedures / processes and information systems as approved by the Board of Directors to facilitate the achievement of highly efficient and effective operations. The internal control rules ensure the quality of external and internal reports, maintaining appropriate records and procedures, and adhering to the rules and regulations in force and internal policies with regard to work progress. However, responsibility for any internal control rules rests with the Board of Directors. The internal control rules system is designed to manage the risks of failure to achieve the strategic objectives of Aljazira Takaful Company. In 2020 AD, Aljazira Takaful Company made all its efforts to ensure the continuation of the internal control rules in accordance with the instructions, rules and regulations related to control rules issued by SAMA, which represent continuous procedures for identifying, evaluating and managing the major risks facing the Company. Internal / External Auditors and SAMA Inspection Team observations were reviewed during their inspection visits immediately, and then the necessary measures were taken by the Board of Directors, Audit Committee and also the executive management to correct these observations in a manner that protects the interests of the Company. As part of the Company's evaluation, the approved Internal Control Rules provides reasonable assurance regarding the integrity and reliability of the controls set and the management reports it issues.

### • Evaluation of the Audit Committee on the adequacy of the Company's Internal Control Rules:

Audit Committee Evaluation on the adequacy of the Company's internal controls during the year 2020 AD. The Audit Committee reviewed various reports on the adequacy of the internal controls and regulations, including financial statements, risk reports, internal audit reports, compliance management reports, anti-money laundering and terrorist financing. The Committee also reviews the follow-up of the corrective plans presented by the Executive Management and expresses the independent opinion of the Board of Directors on their adequacy and effectiveness. The committee's discussions and decisions are documented in the meetings minutes as well as submitting issues requiring attention to the Board of Directors periodically. During this year, the members of the Audit Committee held meetings with Head of the Internal Audit Department, Vice Head for Operations, Head of Risk Management, Head of the Compliance Department, Vice Head of

Financial Department, External Auditors, Information Technology Department, as well as Head of the Actuarial Services Department, among others. The Committee was informed of the latest developments regarding issues require the attention of the committee. The Committee also received the internal audit reports and the reports of the supervisory authorities in addition to the reports of the external auditors of the management issued during the year, and reviewed the management work plans for the issues submitted to ensure that the requirements are met according to the applicable plan. The Audit Committee also reviewed the effectiveness of the internal control rules and the procedures for compliance with the compliance policy in Aljazira Takaful Company and the relevant regulatory and legal requirements in the Kingdom of Saudi Arabia and whether the management has fulfilled its duty to create effective internal control rules and seek independent assurance through the internal audit department to assess the adequacy and effectiveness of these internal controls.

## 17 The audit committee recommendation:

There are no material recommendations submitted by the Audit Committee at Aljazira Takaful Taawuni Company, to implementation of Article 90 of the Corporate Governance Regulations.

## 18 Employee Benefits:

Aljazira Takaful Taawuni Company continued its efforts in pursuance, recruitment, and retention of the best Saudi talents. Through employment programs designed. The company achieved a steady increase in Saudization, reaching 95.57% by the end of the 2020. Among development and training strategies, career development and talent program was implemented which aims to development and train employees where business success comes from continuous investment in highly qualified and capable human capital. The Company's Management interest great to developing its competencies through personal development plans and career progression programs, which ensure the continuity of the availability of qualified personnel, through which the Company will achieve the best career development results, God willing. The Company pays compensation and benefits to employees according to Saudi labor laws and regulations. The company's accumulated balance of the end of service for the company's employees on December 31, 2020, amounted to 3,518 thousand Saudi riyals.

## 19 Social Responsibility:

Aljazira Takaful Taawuni participated in the community initiative «BIRAN BI Makkah Campaign» launched by Namaa Association to support needy and affected families



and owners of small field businesses affected during Corona pandemic lockdown. It undertook the distribution of 150 food baskets as part of this campaign under the patronage of His Royal Highness Prince/ Khalid Al-Faisal Al Saud. The region's emirate honored Aljazira Takaful Company for its interaction with this important Campaign.

## 20 Approved International Accounting Standards:

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards amended by SAMA for accounting process for zakat and income.

## 21 External Auditors:

At the company's annual meeting on 01/06/2020 AD, the Shareholders' Extraordinary General Assembly approved to reappointment of Crowe Global / AlAzem, AlSudairy Partners CPA's and KPMG Al Fawzan & Partners from among the candidates based on the Audit Committee's recommendation, in order to examine, review and audit the financial statements for the second, third and quarter of the fiscal year 2020 AD and the first quarter of the Fiscal Year 2021 AD and determine their fees.

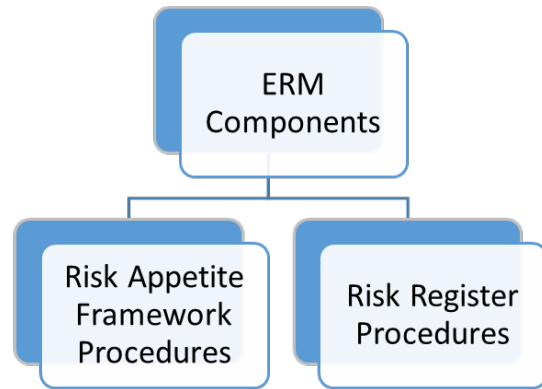
## 22 Corporate Risk Model:

Corporate risk management aims to ensure proper risk management by identifying and monitoring risks to help the Company achieve its objectives, and initiating to reduce them as far as practicable. This process also ensures that the Company's management and operations are consistent with best practices.

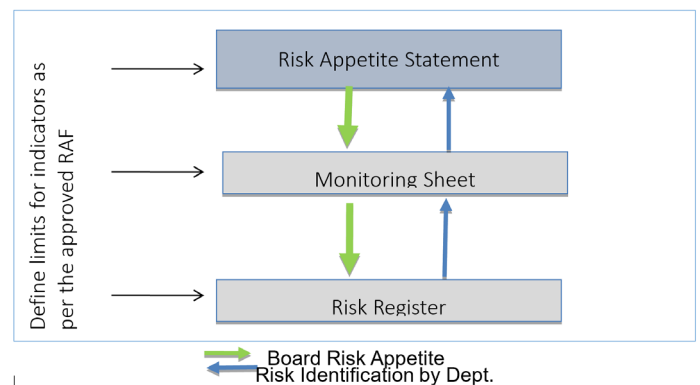
The risk appetite framework procedures were approved in 2018 by the Board of Directors after being reviewed and recommended by the Risk Committee - a framework that seeks to improve the effectiveness of monitoring risks and reporting performance indicators on a monthly basis.

Monthly monitoring of performance indicators in addition to raising awareness as two main elements in risk management and internal control of Aljazira Takaful Company is an essential element of corporate risk management. To achieve this goal, the policy recommends that the risk register is the basic record in which all risks faced by the Company are determined based on ratings approved by the risk management of the Board of Directors. So that the risk department, in cooperation with all stakeholders within the Company, approves the main indicators and monitors the outputs of the risk register for each department separately, as well as in a comprehensive institutional manner so that the executive management can develop corrective plans on a monthly basis and issue

performance reports to the Risk Committee in addition to submitting its recommendations to the Board of Directors. 2019 year represented the first year for implementing the procedures adopted to monitor and follow up the risk appetite framework. This implementation helped in the positive growth of the education curve in terms of risk culture and how to consider it in a way that preserves the interest of all related parties.



The mechanism of the risk appetite framework aims to define a statement of risk limits based on the risks recorded in the Risk Register, and the procedures followed in the process help to raise the level of transparency between the management, the Risk Committee and the Company's Board of Directors.



### Risks Group

Risk is inherent in the Company's activities but is managed through a process of on-going identifications, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risk through strategic planning process. The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

The following are the risks that the Company faces and the methods that the management uses to mitigate their impact:

### Operational Risks

Operational Risk is the risk of direct or indirect losses arising



from a wide range of causes associated with operating procedures, information technology operations and the infrastructure supporting the Company's operations, whether they are internal within the Company's scope or external at the level of service providers - free from credit, market and liquidity risks and such factors that may arise due to regulative requirements. Operating risks arise through all of the Company's activities.

The main objective of the Company is to manage operating risks in order to find a balance between reducing financial losses and damage to the Company's reputation while achieving its investment objectives by achieving returns for investors. The primary responsibility for developing and implementing controls over operational risk rests with the Company's Board of Directors. This responsibility includes controls in the following areas:

- Requirements for appropriate separation of duties at the level of functions, roles and responsibilities.
- Requirements for settlement and monitoring of transactions.
- Compliance with legal regulatory requirements.
- Documentation of controls and procedures.
- Requirements for periodic evaluation of operational risks and the adequacy of controls and procedures to face risks.
- Ethical and business standards.
- Risk mitigation policies and procedures.

#### Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of reserve for insurance activities. This is influenced by the frequency and amounts of claims paid and subsequent development of long-term claims. Therefore, the objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim.

#### Insurance risk (continued)

Concentration of insurance risk

The Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

#### Key assumptions

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risk, civil riots, etc. The Company manages these risks through conservative underwriting strategies and effective use of reinsurance arrangements.

#### Frequency and amount of claims

For individual life business, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/consultants and comprehensive medical tests.

The Company also assesses financial, lifestyle and occupational information to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group life and group credit protection, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, for e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split. The individual life business and group credit protection portfolios are protected through an efficient reinsurance arrangement. This protects the Company from adverse mortality/morbidity experience.

#### Sensitivity of claims

Insurance claim liabilities are sensitive to the various assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the net claims ratio, with other variable held constant, would impact net underwriting income for the year by approximately SAR ± 10,179 thousand (2019: SAR ± 5,054 thousand) in aggregate.

Independent actuarial review of claims and claims reserve. In further mitigation of the insurance risk, the Company utilizes an independent actuary who performs periodical reviews of the Company's claims modeling and claims projections as well as verifying that the annual closing claims are adequate.

#### Reinsurance risk

In common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company in normal course of business, enters into reinsurance arrangements with the reinsurers. Such reinsurance arrangements provide for greater diversification of business, allow the management to control exposure potential losses arising from large risk, and provide additional capacity for growth. All of the reinsurance is affected under treaty, Quota share and Surplus reinsurance contracts.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters



and guidelines set by the Company's Board of Directors and Reinsurance Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business relationship with the reinsurer

#### **Reinsurance risk (continued)**

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those companies registered and approved by the Local Insurance Regulators. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

#### **Regulatory framework risk**

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

#### **Capital management (solvency) risk**

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company is required to maintain solvency margin in accordance with the calculation described under Article 67 of the Implementing Insurance Regulations. The Company complied with the relevant regulations.

#### **Financial risk**

The Company's principal financial instruments are cash and cash equivalents, available for sale investments held to cover unit-linked liabilities, contribution receivable, reinsurance share of outstanding claims, other assets, held to maturity investments, FVIS investments, due from related parties, statutory deposit, reinsurance balances payable, accrued expenses and other liabilities, due to Shareholders' operations and other payables. The Company does not enter into derivative transactions.

The main risks arising from the financial instruments of Insurance Operations and Shareholders' Operations are foreign currency risk, commission rate risk, credit risk, liquidity risk and fund price risk. The management reviews and agrees policies for managing each of these risks and they are summarized below:

#### **Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Insurance Operations and Shareholders' Operations primarily deal in Saudi Riyals and in US Dollar. Saudi Riyal which is pegged to the US Dollar.

#### **Commission rate risk**

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its murabaha deposits and sukuks.

The sensitivity of the income is the effect of assumed changes in commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2020. A hypothetical 50 basis points change in the weighted average commission rates of the floating rate financial assets balances at 31 December 2020 would impact commission income on murabaha deposits and sukuks by approximately SAR 1,977 thousand (2019: SAR 1,917 thousand) over the remaining period of maturity.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company issues unit linked investment policies. In unit linked business the plan holder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on the unit linked financial assets.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- Contributions receivable are only receivable from corporate customers. The Company seeks to limit the credit risk by setting credit limits and monitoring outstanding receivables. In respect of contribution receivable, one of the policy holders account for 87% of the balance as at 31 December 2020 (2019: 74%).

The Company's investments comprise of murabaha securities, sukuks and mutual funds. The Company limits its credit risk on investments by setting out a minimum acceptable security rating level affirming their financial

strength. The table below shows the maximum exposure to credit risk for the components of the financial position:

	2020	2019
	SAR'000	SAR'000
Cash and cash equivalents	106,032	19,687
Investments	451,811	411,414
Contributions receivable	2,705	2,332
Reinsurance share of outstanding claims	43,483	29,422
Reinsurers' share of claims incurred but not reported	15,164	5,669
Due from related parties	26	30,367
Other assets	2,913	2,291
Statutory deposit	35,000	35,000
	657,134	536,182

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a timely basis and management ensures that sufficient funds are available to meet any commitments as they arise. All assets of Insurance Operations and Shareholders' Operations are current, except for investments, statutory deposit and fixtures, furniture and equipment which is non-current in nature.

The insurance operations' financial liabilities consist of outstanding claims, reinsurance balances payable, accrued expenses and other liabilities and the shareholders' financial liabilities consist of accrued expenses and other liabilities. All these financial liabilities are expected to be settled within 12 months from the date of statement of financial position except employee benefits.

### Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Insurance Operations and Shareholders' Operations are exposed to market risk with respect to their investments in units of open-ended mutual funds. The underlying investments of the mutual funds are in equities, Sukuks and Murabaha purchased in the local and international markets and unit price of the fund is dependent on the movements in

the market prices of these instruments. The fund manager limits market risk by monitoring the developments in the relevant markets for these instruments.

A 5% change in the net asset value of the funds, with all other variables held constant, would impact the net assets by SAR 69,865 thousand (2019: SAR 10,659 thousand).

### Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of FVIS investments which are exposed to market price risk are SAR 56,463 thousand (2019: SAR 27,997 thousand). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments on Company's profit would be as follows:

	Fair value change	Effect on Company's profit SAR'000
2020	%10 ±	5,646 ±
2019	10% ±	2,800 ±

The above sensitivity analysis is only on FVIS investments which directly impact the Company's profit.

## 23 Business and contracts related to the Board of Directors and senior Executive:

Business or Contract Type	Business or Contract Amount	Business or Contract Term	Business or Contract Conditions	Member's Name/ Senior Management or any person related to any of them
1 Investment in mutual funds	Not specified	Not specified	According to the contract with the company at 01/08/2013	Ziad Aba Al-Khail in his capacity as Managing Director and CEO of Aljazira Capital

## 24 RELATED PARTY TRANSACTIONS

The Company made the related party transactions below during the fiscal year ending on December 31, 2020:

RELATED PARTY	Type of relationship with the Company	Type Transactions	Duration	Transaction amount One thousand Saudi) (Riyals)
<b>Shareholders' operations</b>				
Bank Aljazira	Founding shareholder	Commission earned from held to maturity investment	Unlimited time	5,165
Bank Aljazira	Founding shareholder	Investment in equity shares	Unlimited time	1,692
Bank Aljazira	Founding shareholder	Disposal of equity shares	Unlimited time	567
Aljazira Capital	Founding Shareholder	Profit earned on mutual funds	Unlimited Time	28
Board of Directors	Board Members	Board of directors' remuneration and fee	Annual	918
<b>Insurance operations</b>				
Bank Aljazira	Founding shareholder	Gross written contribution , claims paid, Commission earned from held to maturity investment, policy acquisition cost, insurance portfolio transfer, surplus distributed	Calendar year	134,497
Aljazira Capital	Founding shareholder	Profits from investments in mutual funds	Unlimited time	9,913
Aman	Insurance Sales Agent	Policy acquisition costs	-	2,785
Key management personnel	Key management personnel	Short-term employee benefits	Calendar year	7,166
Sageqr Abdull Latif Nadershah	Board Member	Annual premium for protection & saving insurance policy	Calendar year	8
Khaled Othman Al-Othman	Board Member	Annual premium for protection & saving insurance policy	Calendar year	40
Muhammad Ali Ala-Ammari	Member outside the board	Annual premium for protection & saving insurance policy	Calendar year	7
Medhat Mustafa Al-Sayrafi	Key management personnel	Annual premium for protection & saving insurance policy	Calendar year	6
Ahmed Abdul Quddus Fadl Ali	Key management personnel	Annual premium for protection & saving insurance policy	Calendar year	36
Areej Al Margalani	Key management personnel	Annual premium for protection & saving insurance policy	Calendar year	11
Mohammed bin Munir Quds	Key management personnel	Annual premium for protection & saving insurance policy	Calendar year	4

Due (from / to) related parties on December 31, 2020:

RELATED PARTY Shareholders Transactions	Type Transactions	Relation to company	Due amount One thousand Saudi) (Riyals)
Aljazira Capital	The balance of the investment account	shareholder	26

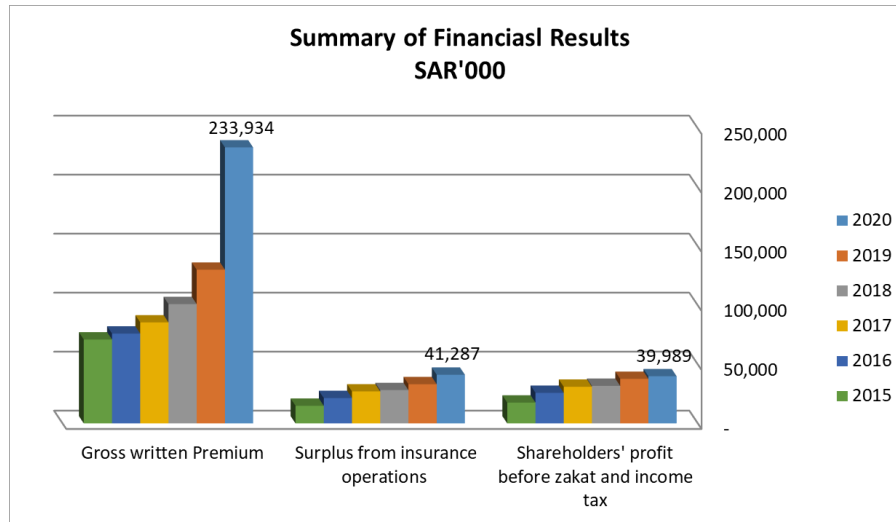


## 25 Financial results:

During the year ended on December 31, 2020, the company achieved a profit before zakat and income tax SAR 39,989 thousand as compared to SAR 37,755 thousand in the year ended on 31 December 2019, an increase of 2,234 thousand i.e. 6%, which is mainly from: .

**First:** Increase in surplus from insurance operations amounting to SAR 41,287 thousand during the current year 2020 as compared to SAR 33,552 thousand in the previous 2019 with an increase of 23% as a result of the growth in gross written premiums from SAR 130,283 thousand in 2019 to SAR 233,934 thousand in 2020 a growth of 80%.

**Second:** An increase in the return on investments of shareholders' funds compared to last year, as the return on shareholders' investment amounted to SAR 13,939 thousand for the year 2020 as compared to an amount of 10,667 for the year 2019, an increase of 31%.



### Comparison of assets and liabilities:

Assets of insurance operations	2014	2015	2016	2017	2018	2019	2020
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	19,318	45,804	58,984	46,814	13,208	15,454	72,500
Investments	0	0	-	15,001	58,530	43,911	69,849
Available-for-sale investments held to cover unit-linked related liabilities	10,953	37,105	69,953	106,626	128,230	185,178	1,343,823
Net Debit Contributions	442	1,108	222	203	1,633	2,094	2,503
Reinsurers' share of unearned insurance contributions	156	8,486	6,912	7,261	9,006	12,923	17,423
Reinsurers' share of outstanding claims	350	1,108	9,021	10,685	7,918	29,422	43,483
Reinsurers' share of claims incurred but not reported	1,648	4,858	2,988	4,901	8,089	5,669	15,164
Due from related parties	2,142	2,051	3,665	5,432	7,444	28,176	0
Prepayments and other assets	80	246	288	708	939	3,214	5,490
<b>Total assets of insurance operations</b>	<b>35,089</b>	<b>100,766</b>	<b>152,033</b>	<b>197,631</b>	<b>234,997</b>	<b>326,041</b>	<b>1,570,235</b>

Shareholders' assets							
Cash and cash equivalents	6,666	11,463	22,893	6,448	3,807	4,233	33,532
Investments	271,215	270,592	304,106	329,285	337,299	367,503	381,962
Prepayments and other assets	40,723	41,149	-	46	88	2,259	26
Amounts due from insurance operations	1,739	14,539	19,825	24,488	25,522	29,407	31,674
Statutory Deposit	35,000	35,000	35,000	35,000	35,000	35,000	35,000
<b>Shareholders' total assets</b>	<b>355,343</b>	<b>372,743</b>	<b>381,824</b>	<b>395,267</b>	<b>401,716</b>	<b>438,402</b>	<b>482,194</b>
<b>Total assets</b>	<b>390,432</b>	<b>473,509</b>	<b>533,857</b>	<b>592,898</b>	<b>636,713</b>	<b>764,443</b>	<b>2,052,429</b>

Liabilities and surplus of insurance operations							
Liabilities of insurance operations							
Units reserve	11,991	37,700	70,282	107,177	130,290	187,979	1,349,364
Mathematica reserve	0	0	871	958	557	360	9,160
Other reserve	0	0	0	0	0	0	322
Unearned contributions	9,862	17,215	17,893	18,342	22,774	35,087	34,533
Outstanding Claims	450	1,417	10,083	12,901	10,015	33,525	49,226
Claims incurred but not reported	4,087	8,752	7,316	8,338	10,997	7,023	17,835
Reinsurers' balances payable	1,736	11,490	11,169	7,965	16,125	10,775	15,300
Accrued expenses and other liabilities	4,950	7,673	10,518	12,789	13,757	15,955	43,878
Amounts owed to shareholder operations	1,739	14,539	19,825	24,488	25,522	29,407	31,674
Employees' end of service benefits	147	357	1,924	1,960	2,050	2,624	3,518
<b>Total liabilities of insurance operations</b>	<b>34,962</b>	<b>99,143</b>	<b>149,881</b>	<b>194,918</b>	<b>232,087</b>	<b>322,735</b>	<b>1,554,810</b>

Insurance operations surplus							
Insurance operations Surplus	127	1,623	2,152	2,713	2,827	3,355	15,837
Remeasurement reserve of defined benefit obligation – related to Insurance operations	0	0	0	0	82	(49)	(412)
<b>Total liabilities and surplus of insurance operations</b>	<b>35,089</b>	<b>100,766</b>	<b>152,033</b>	<b>197,631</b>	<b>234,996</b>	<b>326,041</b>	<b>1,570,235</b>

Shareholders' equity and Liabilities							
Shareholders' liabilities							
Accrued expenses and other liabilities	468	247	1,630	2,700	2,790	2,696	7,552
Zakat and income tax payable	13	779	1,330	1,023	1,039	1,110	1,282
<b>Total Shareholders' liabilities</b>	<b>481</b>	<b>1,026</b>	<b>2,960</b>	<b>3,723</b>	<b>3,829</b>	<b>3,806</b>	<b>8,834</b>

Shareholders' equity							
Capital	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Statutory reserve	1,955	5,487	10,671	16,885	23,253	30,595	38,348
Retained earnings	2,907	16,230	18,193	24,659	24,635	54,001	85,012
<b>Total shareholder equity</b>	<b>354,862</b>	<b>371,717</b>	<b>378,864</b>	<b>391,544</b>	<b>397,888</b>	<b>434,596</b>	<b>473,360</b>
<b>Total shareholders' liabilities and equity</b>	<b>355,343</b>	<b>372,743</b>	<b>381,824</b>	<b>395,267</b>	<b>401,717</b>	<b>438,402</b>	<b>482,194</b>
<b>Total liabilities and surplus of insurance operations, liabilities and shareholders' equity</b>	<b>390,432</b>	<b>473,509</b>	<b>533,857</b>	<b>592,898</b>	<b>636,713</b>	<b>764,443</b>	<b>2,052,429</b>



## Company Business Results

	For the period from July 1, 2013 until December 31, 2014	2015	2016	2017	2018	2019	2020
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000ri- yals	thousand Saudi riyals
Gross Premium Written	30,206	71,148	82,655	85,620	101,145	130,283	233,934
Investible Contributions, net	(10,214)	(29,753)	(37,480)	(38,531)	(48,513)	(57,466)	(143,767)
Change in other reserves		0	0	0	0	0	(322)
Contribution ceded	(2,333)	(18,332)	(15,287)	(17,599)	(18,625)	(20,815)	(35,414)
Change in mathematical reserve	(11,616)	(78)	(2,878)	(187)	401	197	2,180
Net insurance income	6,043	22,985	27,010	29,303	31,721	43,803	61,665
Net claims incurred	(2,659)	(2,771)	(2,950)	(2,722)	(1,398)	(2,377)	(5,796)
Policies acquisition Costs and supervision and inspection fees	(882)	(2,261)	(2,476)	(1,983)	(2,028)	(4,561)	(11,217)
General and Administrative Expenses	(5,998)	(6,421)	(5,032)	(4,994)	(5,815)	(7,317)	(34,269)
Investment income	-	-	1,203	842	1,165	1,429	1,184
Other income	4,762	3,427	3,770	6,680	4,624	2,575	29,720
Surplus for the period from insurance operations	1,266	14,959	21,525	27,126	28,269	33,552	41,287

### Major differences in the operational results:

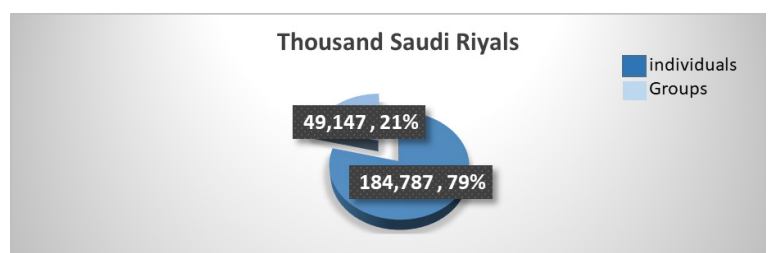
	2019	2020	(-) Changes (+) or	Percentage change
	SAR'000	SAR'000	SAR'000	
Gross Premium Written	130,283	233,934	103,651	%80
Investible Contributions, net	(57,466)	(143,767)	(86,301)	%150
Change in other reserves	0	(322)	(322)	%100
Contributions ceded	(20,815)	(35,414)	(14,599)	%70
Change in mathematical reserve	197	2,180	1,983	(%15)
Net insurance income	43,803	61,665	17,862	%41
Net claims incurred	(2,377)	(5,796)	(3,419)	%144
Policies acquisition Costs and supervision and inspection fees	(4,561)	(11,217)	(6,656)	%146
General and Administrative Expenses	(7,317)	(34,269)	(26,952)	%368
Investment income	1,429	1,184	(245)	%17-
Other income	2,575	29,720	27,145	(%44)
Surplus for the year from insurance operations	33,552	41,287	7,735	%23

### Geographical analysis of revenue:

Year	Geographic Analysis of Company's Total Revenues			
	Eastern	Western	Central	Total revenue
AD 2020	55,173	135,917	42,844	233,934

### Gross Written Premiums:

The total written premiums during the financial year ended on December 31, 2020, amounted to SAR 233,934 thousand, distributed between the business sectors, as shown here:







- General and administrative expenses for insurance operations:
- Summary of the results of shareholders' operations from the date of incorporation:

	For the period from July 1, 2013 until December 31, 2014	2015	2016	2017	2018	2019	2020
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Shareholders' share of surplus insurance operations	1,139	13,463	19,373	24,413	25,442	30,197	37,158
Investment income	10,949	6,053	8,863	9,545	9,591	10,667	13,939
Total revenue	12,088	19,516	28,236	33,958	35,033	40,864	51,097
Net general and administrative expenses	(2,311)	(1,855)	(2,317)	(2,889)	(3,193)	(3,109)	(11,108)
Net shareholders' income before zakat and income tax	9,777	17,661	25,919	31,069	31,840	37,755	39,989

#### - Dividend policy

According to what is stipulated in the Company's Articles of Association, 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 specifies the date of entitlement and the date of distribution, and the eligibility of the profits will be for the shareholders registered in the shareholders' records at the end of the day specified for entitlement. The Company shall inform the Capital Market Authority without delay of any decisions to distribute profits or recommending that. The profits to be distributed to the shareholders shall be paid at the place and time determined by the Board of Directors, in accordance with the instructions issued by the competent authority, subject to the prior written approval of SAMA.

Shareholders' profits shall be distributed if approved as follows:

1. Avoid Zakat and assessed income tax.

2. (20%) of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may stop this set aside amount whenever the said reserve reaches the total paid capital.

3. The Ordinary General Assembly - based on the proposal of the Board of Directors - may set aside a percentage of the net annual profits to form an additional reserve and allocate it for a specific purpose or purposes decided by the General Assembly.

4. From the remainder, a first payment of not less than (5%) of the paid-up capital shall be distributed to the shareholders.

5. The remainder shall be then distributed to the shareholders in the form of a share of the profits or transferred to the retained earnings account.

6. It is permissible - by a decision of the Board of Directors - to distribute periodic profits to be deducted from the annual profits specified in paragraph (4) of this Article in accordance with the applicable rules issued by the competent authorities.

Dividends ratio distributed over the year		Ratio of dividends proposed to be distributed at the end of the year	Total dividends
Distribution date			
Ratio	.During the fiscal year 2020 AD, the company did not distribute any dividends		
Total			

## 26 Statutory payments (one thousand Saudi Riyals)

Description	AD 2020		Brief description	Reasons
	Paid amount	Outstanding amount at the end of the year		
Zakat	954	1137	The outstanding amount represents the value of the Zakat payable for the current year 2020, and the amount will be paid during the prescribed period	Due zakat
Income Tax	99	145	The outstanding amount represents the value of the tax payable for the current year, and the amount will be paid within the prescribed period	Tax on the company's profit
General Organization for Social Insurance	1,922	157	The amount outstanding represents the GOSI for the month of December 2020 and will be paid within the prescribed period in January 2021.	The value of social insurance for company's employees
Costs of visas and passports	19	0	This represents the renewing residency permits and issuing exit reentry visas	Non-Saudi employees
Labor office fees	103	0	Saudi work licenses	To renew and issue residency for non-Saudi employees





## 27 Penalties:

Penalties Subject	Previous Fiscal Year 2019		Current Fiscal Year 2020 AD	
	Number of penalties	Total amount of penalties in SAR	Number of penalties	Total amount of penalties in SAR
Violation of the supervisory body's instructions	Not Applicable			
Violation of the instructions on customers' protection	Not Applicable			
Violation of the supervisory body's instructions on due diligence in combating money laundering and terrorism financing	Not Applicable			

## 28 Board of Directors Declarations:

The Company's Board of Directors acknowledges and declares the following to the shareholders and related parties, according to its full knowledge:

1. Records of accounts have been properly prepared.
2. The Internal Control Rules System was prepared on a sound basis and was effectively implemented.
3. There is not doubts concerning the Company's ability to continue carrying out its activity.
4. The Company didn't inform during the last Fiscal Year under Article 45 of the Registration and Listing Rules of the existence of any interest in the voting-eligible shares category belonging to persons other than Board members and senior executives.
5. The Company didn't borrow during the period, and there are no outstanding loans.
6. The Company didn't issue or grant any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights during the period.
7. The Company didn't, during the period, issue or grant any convertible debt instruments or any contractual securities, subscription right notes, or similar rights.
8. The Company didn't refund, purchase or cancel any redeemable debt instruments during the period.
9. There are no conflicts of interest during the period.
10. The Company hasn't subsidiaries.
11. There aren't cases, arrangements or agreements under which any of the shareholders of the Company waived their rights to profits.
12. There aren't cases, arrangements or agreements under which any of the members of the Board of Directors or senior executives waived salaries, compensation or dues.
13. There isn't penalty or precautionary restriction related to the Company imposed on any of the members of the Board of Directors from any judicial, supervisory or regulatory authority during the year.
14. There aren't recommendations from the Audit Committee that contradict it with the decisions of the Board of Directors regarding the appointment of an internal auditor or the Company's auditor for the previous Fiscal Year
15. There aren't reservations about the Company's financial statements for the previous Fiscal Year.
16. There isn't recommendation by the members of the Board of Directors to change the auditors for the previous Fiscal Year.



## Appreciation



 Aljazira Takaful Taawuni Company Board of Directors would like to take this opportunity to thank the shareholders and customers for their support and trust. The Board also wishes to express its thanks and appreciation to the employees of the Company for their dedication and efforts during the past year. We ask God Almighty for the Company to achieve further development and success.

# الجزيرة تكافل Aljazira Takaful



شركة الجزيرة تكافل تعاوني، شركة تأمين تعاوني مساهمة خاضعة لرقابة وإشراف البنك المركزي السعودي بترخيص رقم ت م ن /201312/34 برأس مال 470,664,030 ريال مدفوع بالكامل، رقم السجل التجاري: 4030251980 / 7001791990 ، ص.ب: 5215 جدة 21422 - الهاتف المجاني: 8003040400 ، الموقع الإلكتروني: [www.ajt.com.sa](http://www.ajt.com.sa) العنوان الوطني: شركة الجزيرة تكافل تعاوني، 7512 طريق المدينة المنورة الفرعي-الحمراء ، وحدة رقم 8021 ، جدة ، 4516-23324 ، المملكة العربية السعودية.

Aljazira Takaful Ta'awuni Co.: Insurance Joint Stock Co. operating Saudi Central Bank, license No. 201312/34, Capital S.R.: 470,664,030 Fully Paid C.R.No.: 4030251980 / 7001791990 – P.O.Box : 5215 Jeddah 21422, Toll Free.: 8003040400, Web Site [www.ajt.com.sa](http://www.ajt.com.sa) National Address: Aljazira Takaful Ta'awuni Co., 7512 Al-Madinah Al-Munawarah Rd. – AlHamra Dist., Unit No. 8021, Jeddah, 4516-23324, KSA