



# **SIMAH RATING AGENCY (TASSNIEF)**

## **ANNUAL TRANSPARENCY REPORT**

Dec. 31<sup>st</sup>, 2021

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## **1. Introduction**

This report was prepared in accordance with the requirements of Article No. 22 of the Credit Rating Agencies Regulations issued by the Board of the Capital Market Authority (CMA) pursuant to Resolution No. 3-58-2014, dated 01/ 01/ 1436 AH corresponding to 10/ 11/ 2014 and based on the Capital Market Law issued by Royal Decree No. M / 30, dated 06/ 02/ 1424 AH corresponding to 09/04/2003.

This report covers the period from 01/ 01/ 2021 to 31/ 12/ 2021.

## **2. Description of Tassnief compliance with the Regulations of Credit Rating Agencies and other Relevant Laws and Regulations:**

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

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

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

## **4. Description of Internal Control Mechanisms:**

The Agency has appointed a compliance officer to verify the Agency's compliance with the requirements of the Capital Market Authority and the provisions of the Credit Rating Agencies Regulation by activating the compliance-monitoring program, provided that reports shall be submitted periodically to the Administrative and Supervisory Committee.

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

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

## **5. Employee Distribution Statistics**

The table below shows the statistics of the distribution of the Agency's employees as on December 31<sup>st</sup>, 2021, according to the following:

### A- Credit Rating Services and Research Department

	Number
Rating Analysts	10
Total	10

### B- Business Development Department

	Number
Business development officer	1
Corporate Relations Officer	1
Total	2

### C- Supporting Departments

	Number
Financial and administrative officers	1
Executive Assistant	1
Total	2

### D- Compliance Department

	Number
Chief Compliance Officer	1
Total	1

### E- Senior Management

	Number
Chief Executive Officer	1
Total	1

## 6. Record Keeping Policy:

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

records, provided that the records shall be kept for five years minimum and shall be continuously monitored and updated.

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

During 2021, Internal Audit Department followed up on the observations taken on the relevant departments of the Agency, including the Compliance Department. The results of such follow-up process was concluded in closing one of the two observations on the Compliance Department. The closure of the other observation related to procedures of disclosing conflicts of interest is in progress (by developing disclosure procedures according to best practices)

#### **8. Financial Information:**

Operational results:

For the Fiscal Year Ending December 31, 2021 (SR)	2021
Total revenue (contributed to rating activity)	23,818,794
Operating Profits	5,710,725
Net Profit	5,172,827

The previous table shows that net profit stood at SAR 5,172,827 at end of 2021 (on 31/12/2021).

Audited financial statements of the FY ending on 31/ 12/ 2021 are attached and will be at least listed on the website separately for five years.

#### **9. Governance Statement:**

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

#### **Board of Directors' Formation:**

The Company is chaired by a board of directors consisting of three (3) members, two of whom shall be independent members to ensure balance and the effective board of

directors. Independent members shall be appointed by the partners and shall be responsible for setting the Agency's policies and objectives in line with the owners' aspirations.

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

The Board meetings for the year of 2021.

#	Board member name	Membership Classification	Attendance Record
1	Dr. Khalid bin Muhammad Al-Taweel	Chairman of the Board - Independent	4/4
2	Mr. Suwaid bin Muhammad Al-Zahrani	Board Member - Non-Executive	4/4
3	Mrs. Kholoud bint Abdulaziz Al-Dakhil	Board Member - dependent	4/4

None of the Board members hold an executive position in the company as of 31/ 12/ 2021. The non-executive members of the Board shall be highly qualified and experienced persons, who have the necessary skills and experience to carry out the work of the Board of Directors.

#### Administrative and Oversight Committee:

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

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

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

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

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

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

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

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

No significant amendments were made by Tassneif Agency during the past year of 2021.