



Natixis Saudi Arabia Investment Company (NSAIC)
**Board of Directors Annual Report
for 2020**

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1. Overview

Natixis Saudi Arabia Investment Company (“NSAIC” or “the Company”), is a closed joint stock company (single shareholder company) registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010616683 dated 14 Rabi II 1441H corresponding to 12 December 2019.

NSAIC offers tailor-made capital markets products and investment banking services to our local clients, which include financial institutions, corporates, family offices and SWFs.

The Company obtained CMA license No. 19205-31 dated Muharam 25, 1441H (corresponding to September 24, 2019) and approval to commence business on Ramadan 13, 1441H (corresponding to 6 May 2020) to engage in Arranging, Advising and Dealing as Underwriter.

NSAIC is wholly owned by Natixis SA with a paid-up share capital of SAR 50,000,000.

Natixis SA is a French multinational financial services firm specialized in asset & wealth management, corporate & investment banking, insurance and payments. It is a subsidiary of Groupe BPCE, the second-largest banking group in France.

NSAIC is located on the 18th floor of the Al Faisaliah Tower on King Fahad Highway, in Riyadh and its business is limited to the Kingdom of Saudi Arabia.

2. Statement of Board of Directors

On March 11, 2020, the World Health Organization declared a global pandemic specific to the novel coronavirus, soon to become widely known as Covid-19.

By May 2020 when NSAIC received its CMA license to commence business, countries across the globe including Saudi Arabia were already under lockdown with travel restrictions outside and within the Kingdom. It naturally impacted the delivery of our strategy for the year as economic activity came to a halt just as about the Company could get started. The departure of the CEO in the midst of the pandemic further delayed the deployment of NSAIC's strategy. Consequently, NSAIC did not record any business activity for 2020.

As the COVID-19 pandemic continues to evolve, there has never been a more pressing need for organizations to rethink and reconfigure their businesses for a changed world. Under the leadership of its new CEO, NSAIC will therefore be reviewing its strategy in the Kingdom and assessing what steps need to be taken so that the Company is prepared to respond to the opportunities and adapt to the challenges that lie ahead.

3. Corporate Governance

Board of Directors

NSAIC’s Board of Directors believe that a strong corporate governance framework is essential for effective corporate management and oversight. To ensure this, it pays utmost attention to corporate governance standards and best practices as it strives to enhance transparency and protect the interests of owners and clients.

The Company’s Board of Directors is currently composed of four members including two representing its shareholder, Natixis SA.

- Mr. Khalid Algahtani Chairman & Independent Board Member
- Mr. Simon Eedle Vice Chairman & Non-Executive Board Member
- Dr Florence Eid-Oakden Independent Board member
- Mr. Guillaume De Saint-Seine Non-Executive Board Member

The following two members resigned from the Board during 2020.

- Mr. Stephane About¹ Non-Executive Board Member
- Mr. Marc Vincent² Non-Executive Board Member

The following three individuals – two to replace the aforesaid outgoing members and one addition – are expected to become members of the Board during 2021.

- Mrs. Barbara Riccardi Non-Executive Board Member
- Mr. Alain Gallois Non-Executive Board Member
- Mr. Mohamed Kallala Non-Executive Board Member

During 2020, the Board of Directors held four meetings. The attendance report for these meetings is as follows:

Members	Q1/2020 Meeting (held on 3 March 2020)	Q2/2020 Meeting (held on 16 June 2020)	Q3/2020 Meeting (held by email circulation on 1 st October 2020)	Q4/2020 Meeting (held on 17 November 2020)
Mr. Khalid Algahtani	attended	attended	Voted	attended

¹ Mr. Stephane About resigned from Natixis and consequently from his position on the Board of NSAIC on 31 December 2020.

² Mr. Marc Vincent (MV) expressed his desire to resign in November 2020. It was however agreed that he would continue as Board Member till such time his replacement was appointed – this to ensure that NSAIC had a validly constituted Board at all times. His resignation was effective on 9 March 2021 and was notified to the CMA.

Mr. Simon Eedle	attended	attended	Voted	attended
Dr Florence Eid-Oakden	attended	attended	Voted	attended
Mr. Guillaume De Saint-Seine	attended	attended	Voted	attended
Mr. Marc Vincent	attended	attended	Voted	absent
Mr. Stephane About	attended	attended	Voted	attended

Audit & Risk Committee (ARC)

The ARC reports directly to the Board of Directors and meets a minimum of four times during the year. It is responsible for monitoring the integrity of the NSAIC's financial statements, reviewing significant financial reporting issues and evaluating whether the Company has followed appropriate accounting standards. It reviews the effectiveness of NSAIC's internal control and financial control systems and oversees its performance. The ARC also oversees the relationship with the external auditor, which includes making recommendations about their appointment, re-appointment, removal and remuneration, assessing their independence, monitoring their effectiveness, approving the audit plan and reviewing the findings.

As at the end of 2020, the ARC was composed of three persons including two representing its shareholder, Natixis SA.

Name	Position
Dr Florence Eid-Oakden	Chair
Mr. Simon Eedle	Member
Mr. Stephane About	Member
Mrs. Leila Sassi*	Secretary

Mrs. Leila Sassi replaced Mr. Farid Mohammed Kamel Tawfik from 1/10/2020 after the latter resigned from the Company.

During 2020, the Audit & Risk Committee held four meetings. The attendance report for these meetings is as follows:

Members	Q1/2020 Meeting (held on 3 March 2020)	Q2/2020 Meeting (held on 16 June 2020)	Q3/2020 Meeting (held by email circulation on 25)	Q4/2020 Meeting (held on 16 November 2020)

			October 2020)	
Dr Florence Eid-Oakden	attended	attended	validated	attended
Mr. Simon Eedle	attended	attended	validated	attended
Mr. Stephane About	attended	attended	validated	absent

Permanent invitees to the Audit & Risk Committee meetings were the Company's CEO, Compliance Officer (& MLRO) and Finance Officer. From time to time, individual representatives from the shareholder were also invited to attend – the head of Natixis for the Middle East region, and members of the Internal Audit, Legal, Compliance and Finance functions.

Nomination & Remuneration Committee (NRC)

The Nomination & Remuneration Committee is a sub-committee of the Board which meets at least once a year to ensure the suitability of the Board's structure, which includes nominating and re-appointing directors and committee members, formulating succession plans and reviewing the Board's performance. It keeps under review the Company's leadership needs and any related strategic issues that may affect the Company. It sets the overarching principles, parameters and governance framework of the Company's remuneration policy and the remuneration of executive directors and other senior company employees. Further, it periodically reviews the effectiveness of the remuneration policy in the context of a prudent risk management framework.

As at the end of 2020, the NRC was composed of three persons including two representing its shareholder, Natixis SA.

Name	Position
Dr Florence Eid-Oakden	Chair
Mr. Simon Eedle	Member
Mr. Stephane About	Member
Mrs. Leila Sassi*	Secretary

Mrs. Leila Sassi replaced Mr. Farid Mohammed Kamel Tawfik from 1/10/2020 after the latter resigned from the Company.

During 2020, the Nomination & Remuneration Committee held one meeting. The attendance report for the meeting is as follows:

Name	Position	NRC meeting dated 3 March 2020
Dr Florence Eid-Oakden	Chair	attended
Mr. Simon Eedle	Member	attended
Mr. Stephane About	Member	attended
Mr. Farid Tawfik	Secretary	Attended/except the discussion about his remuneration as Compliance officer & MLRO

The Company's CEO was invited to and attended the meeting.

4. Directorships and Managerial roles held by NSAIC Board of Directors

Board Member	Company Name	Country	Director / Manager
Mr. Khalid Algahtani	Hassan Abdulkarim Al-Qatani Holding Group of Companies (HAKA GROUP)	KSA	Chairman & CEO
	Saudi Services and Re-Export Company		Member of the Board of Directors
	Rikaz Properties		Chairman
	Adeem Capital		Chairman
	Radian Oil & Gas Services Co		Chairman
	Salayel Arabia Group		Chairman
	Edutacs		Chairman
Mr. Simon Eedle	Natixis CIB	UK	Senior Country Manager
Dr Florence Eid-Oakden	Arabia Monitor	UK	CEO

	Al-Faisal University College of Business	Riyadh	Advisory Board Member (<i>pro bono</i>)
	ONS Foundation	Norway	International Advisory Council Member (<i>pro bono</i>)
	L'Auberge du Presbytère	France	Non-executive President
Mr. Guillaume De Saint-Seine	Natixis CIB	France	Global Head, FIs
	Fenchurch Advisory	UK	Senior Adviser
	Natixis Pfandbriefbank AG	Frankfurt	Chairman of the Supervisory Board
	Palais de Tokyo	France	Non-executive Board member

5. Board Remuneration

Item	Executive Members of the Board	Non-Executive and Independent Members of the Board	Senior executives including the CEO and CFO
Wages & salaries	-	-	SAR 1,597,593
Allowances	-	-	-
Periodic and annual remunerations	-	SAR 775,000	SAR 300,000
Incentive plans	-	-	-
Commissions	-	-	-
Any other in kind benefits or reimbursements paid monthly or annually	-	-	-

6. Annual Audited Financials

PricewaterhouseCoopers (PwC) conducted an external audit of NSAIC's 2020 operations.

In the auditor's opinion, the accounts taken as a whole fairly present the position of the Company in all material respects and comply with the requirements of regulations for companies. No significant or material matters were raised.

The auditor's report did not have any reservations on the annual financial statements.

	As at December 31, 2020		For the period from December 12, 2019 to December 31, 2020
Assets			
Current assets			
Cash at bank	44,876,034		
Due from related party	5,287,319		
Prepayments and other receivables	<u>383,415</u>		
Total current assets	<u>50,546,768</u>	Revenue	
Non-current asset		Income from service support fee	5,287,319
Fixtures and furniture	<u>36,487</u>		
Total assets	<u>50,583,255</u>	Operating expenses	
Liabilities and shareholders' equity		Salaries and employee related benefits	3,092,250
Liabilities		Expense related to Master Service Agreement	1,366,501
Current liabilities		General and administrative expenses	2,298,133
Accrued and other current liabilities	379,580	Depreciation	<u>18,638</u>
Due to related party	1,465,798	Operating loss	<u>(1,488,203)</u>
Income tax provision	-	Other income	
Total current liabilities	<u>1,845,378</u>	Special commission income on term deposits	140,625
Non-current liabilities		Loss before income tax	<u>(1,347,578)</u>
Employees end of service benefits ("EOSBs")	<u>85,455</u>	Income tax charge	-
Total non-current liabilities	<u>85,455</u>	Net loss for the period	<u>(1,347,578)</u>
Total liabilities	<u>1,930,833</u>	Other comprehensive loss for the period	-
Shareholders' equity		Total comprehensive loss for the period	<u>1,347,578</u>
Share capital	50,000,000		
Statutory reserve	-		
Accumulated losses	<u>(1,347,578)</u>		
Net shareholders' equity	<u>48,652,422</u>		
Total liabilities and shareholders' equity	<u>50,583,255</u>		

7. Capital Adequacy Disclosures

In accordance with Article 74 (b) of the Prudential Rules issued by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratio as at December 31, 2020

	Saudi Riyals in thousands
	As at December 31, 2020
Capital base	
Tier-I Capital	48,652
Tier-II Capital	-
Total capital base	<u>48,652</u>

Minimum capital requirement

Market Risk	-
Credit Risk	6,751
Operational Risk	3,946
Total minimum capital requirement	<u>10,697</u>

Capital Adequacy Ratio

Total capital ratio (times)	4.55
Surplus in capital	<u>37,956</u>

- a) The above information has been extracted from the Company's Capital Adequacy Model for the period from January 1, 2020 to December 31, 2020 to be submitted to CMA.
- b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit and Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.
- c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

8. Transactions between NSAIC, Natixis SA and Natixis Dubai Branch

The entity enters into transactions with another company that falls within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties comprise of companies/entities under common ownership and/or common management control and key management personnel. The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges.

Within its ordinary course of business, the Company may enter into commercial transactions with its parent Natixis SA.

NSAIC concluded agreements with its Dubai branch which set out the principles governing the sharing of revenues and the recovery of expenses incurred in generating such revenues.

The Company has entered into a Service Level Agreement with a related party, the conditions upon which it agrees to provide the related party client relationship management services in relation to Global Market activities. In consideration of services provided to related party, the Company will recharge an amount equal to the total amount of costs and expenses incurred in the performance of service plus a 15% margin.

Additionally, the Company has outsourced certain support function services to a related party as per the master service agreement between the two entities. The outsourced services include finance, information technology, human resources, operations and other support services. The costs are agreed and allocated based on terms of the said agreements and are payable annually in arrears.

9. Annual Audit (Internal)

The annual audit of NSAIC was completed in March 2021 per the Capital Market Authority (CMA)'s requirement. The audit report was published on 10 March 2021 with five findings. These related to Corporate Governance Arrangements, Compliance Planning and Monitoring Arrangements, Risk Management, Training and Development, and Policies & Procedures.

The Compliance Monitoring Programme (CMP) which covers the controls, monitoring and tasks implemented to ensure compliance with all applicable regulatory requirements was not carried out for 2020. This was mainly due to the fact that the Compliance Officer with whom responsibility rested for implementation of the CMP, resigned soon after / within a couple of months of the Company receiving its commencement license in May 2020. The replacement Compliance Officer joined only beginning October but also never made any progress with the CMP in 2020. Consequently, the ARC was unable to provide assurances as to whether the internal control framework of the Company was adequate and satisfactory. That said and considering there was no business activity in 2020 due to the pandemic and departure of the then-CEO, the ARC considers any associated risk to be minimal.

10. Risk Management

NSAIC did not have any exposure to credit risks or market risks during 2020.

The company manages operational risks based on the framework adopted in Natixis SA to determine the operational risk profile and identify appropriate risk mitigation measures and priorities. Information collected during the risk control and self-assessment process is used to identify demand on operational risk capital. The NSAIC Compliance Officer assumes responsibility for the implementation of the operational risk framework and is the designated Operational Risk Correspondent for the Company.

11. Additional disclosures for 2020 as per CMA requirement

The Board of Directors for NSAIC confirm that:

- a) Neither it nor the Company's employees including the CEO, Compliance Officer (& MLRO), Finance Officer, nor any associated or related person to them, held any interest in business or contracts where NSAIC is counterparty.
- b) Neither it nor the Company's employees including the CEO, Compliance Officer (& MLRO), Finance Officer, nor any associated or related person to them, held any interest, contractual securities, or subscription rights in the shares or debt instruments of NSAIC.
- c) None of the independent members of the Board have waived any compensation, allowance or any type of remuneration
- d) There were no General Assembly meetings held during 2020
- e) There were no punishments, penalties, precautionary procedures or preventive measures imposed on NSAIC during 2020 by the Capital Markets Authority or any other supervisory, regulatory or judiciary authority.

- f) NSAIC does not have any ownership interest in any company inside or outside the Kingdom of Saudi Arabia.
- g) There were no arrangements or agreements under which Natixis SA as shareholder of NSAIC has waived any rights to dividends.
- h) There were no requests made by or of the Company in relation to shareholder's records.
- i) There were no outstanding statutory payments on account of any zakat, taxes, fees or any other charges for the fiscal year 2020.
- j) There were no investments made or any reserves set up for the benefit of the employees of the company.
- k) NSAIC did not have any loans in fiscal year 2020.

12. Implemented Provisions of CMA Regulations

As far as we are aware, there have been no departures from applicable regulatory requirements during 2020.