سلامة
SALAMA

INTEGRATED REPORT 2021

SALAMA – Islamic Arab Insurance Company (P.S.C)

الشركة الإسلامية العربية للتأمين (ش.م.ع.)
ISLAMIC ARAB INSURANCE CO.(P.S.C.)

The Integrated Report of 2021
Islamic Arab Insurance Company – SALAMA (P.S.C)

Islamic Arab Insurance Company – SALAMA (P.S.C) is delighted to disclose its integrated report of 2021 which contains the following:

1. Board of Directors Report
2. Auditor's Report
3. Annual financial statements and their notes
4. Governance Report
5. Sustainability Report
6. Shari'a Supervisory Committee report

Fahim AlShehhi
Chief Executive Officer

سلامة
SALAMA

FINANCIAL REPORT 2021

SALAMA – Islamic Arab Insurance Company (P.S.C)

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Islamic Arab Insurance Co. (SALAMA) PJSC and its subsidiaries

Consolidated financial statements
31 December 2021

Contents — ***Page***

Board of Directors Report

We are pleased to present the 42nd report to the Shareholders, along with the audited consolidated financial statements for the year ended on 31st December 2021.

SALAMA is one of the Middle East's oldest takaful insurance company. As the pioneer in a relatively nascent industry, we pride ourselves for being at the forefront of strong business practices, customer-focused product offerings and technology-driven solutions for growth. In the year 2021, SALAMA entities have performed well in their respective markets. Net profit for the year reached AED 48.17m, Gross written contributions reached AED 1.09bn amid challenging macroeconomic conditions, Assets under management (AUM) grew 7.5% YOY as a result of increased stakeholder confidence in SALAMA.

Performance of the Company and Corporate Governance

Over the last year, we have implemented disciplined and targeted underwriting practices to improve the core business performance. In our home market UAE, the Gross Written Contribution produced one of the best underwriting income, despite a highly competitive environment. We implemented cost optimization programs across the group companies to keep the costs at substantially effective and efficient manner.

The subsidiaries in Egypt Misr Emirate Takaful Life Company have also shown considerable improvement in their performances. The Gross Written Contribution of the Egyptian Saudi Insurance House (Non-Life company in Egypt) has increased by 17.%.

We continue to focus on improving the quality of the risk underwritten. To some extent, it has prevented our growth aspiration; however, we believe it is the right step for a solid growth foundation and also to be a responsible market participant in a crowded insurance market. The board has tasked the management to maintain a delicate balance between topline growth and underwriting income.

The regulatory framework in the UAE is evolving with various regulations issued in 2020 and 2021. Board is confident that these regulatory changes will improve the overall framework in which the insurance market operates in UAE. This regulation is going to have a far-reaching impact on the life insurance market from an initial adjustment phase where life insurance premiums may plummet and to healthy growth in years to come.

Another key area of focus is the improvement of our investment income. Over years SALAMA has not been able to profitably generate consistent cash earnings from its investment portfolio of nearly AED 1.3b of assets. The board is working to reprofile the investment book to low risk income yielding assets that provide stable cash income. We expect investment income to be a consistent and stable revenue stream and contribute to the bottomline as more assets are deployed in cash income generating assets.

مقيدة تحت الرقم (١٧) بموجب القانون الاتحادي رقم (٦) لسنة ٢٠٠٧.
Registration No. (17) under Federal Law No. (6) of 2007.

The Board of Directors has been working with the management to realign the investment strategy of the Company. Following the review of all the investments across the various SALAMA entities, the Board has made numerous changes, which has led to a considerable shift in investment profile, making it less violate and more oriented towards sustainable cash income. SALAMA had a history of investments in low yield "Mudarbah" investments with varying quality underlying assets from non-regulated counterparties. You will note that the auditors have had difficulty obtaining balance confirmations for these legacy investments. The external auditors have highlighted this matter through their qualified opinion to audited financial statements. The Board of Directors is endeavoring to resolve this matter with minimum financial impact and will vigorously defend the values and redemptions of all these assets.

On a separate note, a Performance Order was issued by the Court against the Company for an amount of approx. AED 258 million. As at reporting date, Appeal Court of Dubai has issued its judgement refuting the letter of demand and cancelling the legal actions taken against the Group, accordingly the above-mentioned bank accounts totaling AED 258 million was released. This will significantly increase the solvency and liquidity of the Group.

The commitment of the Board on the realignment of the investment strategy and continued support towards business growth throughout the SALAMA group has maintained the rating of SALAMA to BBB' Ratings Put On CreditWatch Negative On Audit Qualifications by S&P.
Despite the COVID-19 outbreak, we remain optimistic of the long term growth of SALAMA and its subsidiaries. Our zero debt balance sheet and AAA-rated capital adequacy will be our bedrock to a solid growth. The current volatility will likely offer attractive avenues of organic and inorganic growth, which the Board continues to explore.

Finally, the Board of Directors would like to convey their gratitude to our clients, reinsurers, regulators, and all other partners for their continued and invaluable support. Board would like to thank the management team of all subsidiaries of the SALAMA and team members for their continued efforts and contribution toward the growth of SALAMA.

Board of Directors
Jassim Alseddiqi – Chairman
Saeed Mubarak Al-Hajeri – Vice Chairman
Mohamed Hussain AlKhoori – Board Member
Fraih Saeed AlQubaisi – Board Member
Ahmad Al Sadah – Board Member
Saeed Al Qassimi – Board Member

On behalf of the Board

Jassim Alseddiqi
Chairman
29th March 2022

المكتب الرئيسي
الطابق الرابع - بناية سبيكروم
عود ميثاء - دبي، إ.ع.م.
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هاتف: ٨٠٠٧٢٥٢٦٢
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of Islamic Arab Insurance Co. (Salama) PJSC (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

The Group's total assets include investment properties with a carrying amount of AED 142,055 thousand (2020: AED 139,534 thousand), investments which are carried at AED 559,066 thousand (2020: AED 676,596 thousand) and other assets and receivables which are carried at AED 256,354 thousand (2020 AED 375,540 thousand). The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (2020: AED 84,957 thousand) (note 7);
- Islamic placement investments of AED 47,142 thousand (2020: AED 45,889 thousand), available-for-sale investments of AED 62,561 thousand (2020: AED 58,244) and held to maturity investments of AED 65,738 thousand (2020: AED 65,738) (note 11); and
- Other receivables with a carrying amount of AED 33,639 thousand (2020: AED 34,006 thousand) (note 17).

Due to the ongoing litigations between the Group and different parties, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the aforementioned assets because we were unable to verify the judgements applied and estimates made in the determination of the fair value of these assets, and we were unable to determine if the Group legally owned these assets. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The predecessor auditor's audit opinion in the prior year was also modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on the audit of the consolidated financial statements (continued)

Basis for qualified opinion (continue)

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements in their report dated 11 March 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of takaful contract liabilities and retakaful contract assets	
As at 31 December 2021, takaful contract liabilities and retakaful contract assets amounted to AED 903 million and AED 398 million (2020: AED 882 million and AED 387 AED million) respectively. We focused on these balances because of the complexity involved in the estimation process, and the significant judgements that management and the directors make in determining the appropriateness and adequacy of the liability. The liabilities which includes claims reported and not settled, incurred but not reported and mathematical reserve are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Retakaful assets are recognised when the related gross takaful liability is recognised according to the terms of the relevant retakaful contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective retakaful counterparties. Note 14 and 15 to these consolidated financial statements describes the elements that make up the takaful contract liabilities and retakaful contract assets.	The work that we preformed to address this key audit matter included the following procedures: • The evaluation and testing of key controls around the claims handling and reserve setting processes of the Group along with the recognition and release of retakaful assets. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked samples of claims reserves and the respective share of reinsurance assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Group's correspondence with lawyers and reinsurers where the claim are under investigation. • We reviewed management's reconciliation of the underlying group data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We tied the takaful contract liabilities and retakaful assets as recommended by the Group's actuary to the liabilities and assets in the consolidated financial statements. • We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. • We obtained the retakaful treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of retakaful assets to related takaful contract liabilities to identify any variance from retakaful treaty arrangements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of goodwill	
As at 31 December 2021, the carrying value of goodwill amounted to AED 114,639 thousand (2020: AED 114,639 thousand) which is 2.4% of total assets and arose from separate acquisitions made by the Group. Goodwill is allocated to cash generating units ('CGUs') for the purpose of impairment testing. Given the magnitude of the goodwill balance and the continued economic uncertainty in certain regions, it is important to ensure that the goodwill impairment review is approached in a robust manner to identify potential impairments, where necessary. The determination of their recoverable amount is complex and typically requires a high level of judgement, taking into account the different economic environments in which the Group operates. The most significant judgements arise over the forecast cash flows, discount rate and growth rate applied in the value-in-use valuation models. We considered the valuation of goodwill to be a key audit matter, given the significant judgements applied and estimates made when determining the recoverable amount. Note 6 of these consolidated financial statements describes the information of Goodwill.	The work that we preformed to address this key audit matter included the following procedures: • Challenged the key assumptions used in the impairment model for goodwill, including specifically the operating cash flow projections, discount rates, and long term growth rates. • Enquired of the management about the key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. • Considered the sensitivity of the impairment testing model to changes in key assumptions. • We reconciled the net carrying amount of the goodwill allocated to the CGU to the Group's accounting records. • Evaluating the objectivity, skills, qualifications and competence of independent external valuer. • We reviewed the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes. • We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Other information

Other information consists of the information included in the Directors' Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard except for the matters described in the Basis for Qualified Opinion section of our report.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Company's Articles of Association and of the UAE Federal Law No. (2) of 2015 (as amended) and UAE Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), except for the matters referred to in the *Basis for qualified opinion* paragraph, we report that for the year ended 31 December 2021:

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015 (as amended);

iv) the financial information included in the Directors' report is consistent with the books of account and records of the Group;

v) as disclosed in note 11 to the financial statements, the Group has investment in securities as at 31 December 2021;

vi) note 16 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) note 45 to the consolidated financial statements discloses fees and penalties paid by the Group during the year ended 31 December 2021;

viii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or its Articles of Association, which would have a material impact on its activities or its financial position; and

ix) the Group has no social contributions made during the year.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit except for the matter described in the basis for qualified opinion section of our report. For disclosure on solvency requirements, refer note 47.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

30 March 2022

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	*2021* *AED'000*	*2020* *AED'000*
ASSETS			
Property and equipment	5	**36,480**	39,548
Goodwill and intangibles	6	**117,772**	115,237
Investment properties	7	**142,055**	139,534
Right-of-use assets	8	**4,426**	8,034
Investment in associates	9	**34,447**	32,932
Deposits	10	**239,649**	202,828
Investments	11	**559,066**	676,596
Participants' investments in unit-linked contracts	11	**2,396,075**	2,228,346
Deposits with takaful and retakaful companies	12	**2,387**	2,406
Contributions and takaful balance receivables	13	**213,404**	207,776
Retakafuls' share of outstanding claims	14	**262,350**	214,940
Retakafuls' share of unearned contribution	15	**135,789**	172,006
Other assets and receivables	17	**256,354**	375,540
Restricted bank balances	18	**258,469**	-
Bank balances and cash	18	**109,321**	91,950
TOTAL ASSETS		**4,768,044**	4,507,673
LIABILITIES AND POLICYHOLDERS' FUND			
Outstanding claims and family takaful reserve	14	**574,950**	558,598
Payable to participants for unit-linked contracts	20	**2,394,963**	2,224,849
Unearned contribution reserve	15	**327,756**	323,040
Short term borrowings	21	**25,000**	-
Takaful balances payable	22	**205,662**	163,830
Other payables and accruals	23	**391,906**	319,426
Lease liabilities	8	**4,639**	8,264
Total liabilities		**3,924,876**	3,598,007
Policyholders' fund	24	**-**	-
Total liabilities and policyholders' fund		**3,924,876**	3,598,007
EQUITY			
Share capital	25	**1,210,000**	1,210,000
Treasury shares	26	**(35,972)**	(35,972)
Statutory reserve	27	**101,262**	97,257
Accumulated losses		**(371,672)**	(308,059)
Other reserves	28	**(136,131)**	(127,892)
Equity attributable to Owners of the Company		**767,487**	835,334
Non-controlling interest	29	**75,681**	74,332
Total equity		**843,168**	909,666
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND EQUITY		**4,768,044**	4,507,673

Chairman

Chief Executive Officer

The attached notes 1 to 49 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	***2021 AED'000***	*2020 AED'000*
Continuing operations			
Underwriting income			
Gross written contributions		**1,088,077**	1,167,022
Less: reinsurance and retakaful contributions ceded		**(394,413)**	(436,177)
Net contributions		**693,664**	730,845
Net movement in unearned contributions		**(41,698)**	(23,756)
Contributions earned		**651,966**	707,089
Commission received on ceded reinsurance and retakaful		**38,454**	38,162
		690,420	745,251
Underwriting expenses			
Gross claims paid		**527,180**	497,189
Less: reinsurance and retakaful share of claims paid		**(275,848)**	(283,690)
Net claims paid		**251,332**	213,499
Net movement in outstanding claims and family takaful reserve		**(27,602)**	34,477
Claims incurred		**223,730**	247,976
Commissions paid and other costs		**305,311**	330,681
		529,041	578,657
Net underwriting income		**161,379**	166,594
Income from other sources			
Income from investments	30	**18,427**	116,828
Other income		**18,057**	19,358
		197,863	302,780
Expenses			
General, administrative and other expenses	31	**(137,043)**	(127,522)
Financial expenses		**(3,350)**	(3,052)
Net profit before tax for the year		**57,470**	172,206
Taxation – current	32	**(9,297)**	(12,340)
Net profit after tax before distribution to policyholders'		**48,173**	159,866
Distribution to policyholders of Group		**-**	(2,967)
Net profit after tax and distribution to policyholders from continuing operations		**48,173**	156,899

The attached notes 1 to 49 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2021

	Notes	***2021 AED'000***	*2020 AED'000*
Discontinued operations			
Profit from discontinued operations	19	**-**	150
Net profit after tax and distribution to policyholders		**48,173**	157,049
Attributable to:			
Shareholders		**40,053**	149,368
Non-controlling interest		**8,120**	7,681
		48,173	157,049
Basic and diluted earnings per share (AED)	33	**0.034**	0.126
Basic and diluted earnings per share (AED) – continuing operations		**0.034**	0.126

The attached notes 1 to 49 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	***2021 AED'000***	*2020 AED'000*
Net profit after tax and distribution to policyholders		**48,173**	157,049
Other comprehensive loss net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Net movement or change in foreign exchange translation reserve		**(8,808)**	(9,241)
Net changes in fair value of investments		**(2,132)**	508
Share of other comprehensive income of associates		**791**	538
Net movement or change in revaluation reserves		**-**	(5,520)
Other comprehensive loss		**(10,149)**	(13,715)
TOTAL COMPREHENSIVE INCOME		**38,024**	143,334
Attributable to:			
Shareholders		**30,190**	134,851
Non-controlling interest		**7,834**	8,483
		38,024	143,334

The attached notes 1 to 49 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation reserve AED'000*	*Foreign exchange translation reserve AED'000*	*Investment fair value reserve AED'000*	*Treasury shares AED'000*	*Accumulated losses AED'000*	*Regulatory reserve AED '000*	*Total AED'000*	*Non-controlling interest AED'000*	*Total equity AED'000*
Balance at 1 January 2021	1,210,000	97,257	20,753	(122,196)	(26,581)	(35,972)	(308,059)	132	835,334	74,332	909,666
Profit for the year							40,053	-	40,053	8,120	48,173
Other comprehensive income											
Net movement or change in foreign exchange translation reserve	-	-	-	(8,522)	-	-	-	-	(8,522)	(286)	(8,808)
Net changes in fair value of investments	-	-	-	-	(2,132)	-	-	-	(2,132)	-	(2,132)
Share of other comprehensive income of associates	-	-	-	-	791	-	-	-	791	-	791
Net movement or change in revaluation reserves	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive loss	-	-	-	(8,522)	(1,341)	-	-	-	(9,863)	(286)	(10,149)
Total comprehensive income for the year	-	-	-	(8,522)	(1,341)	-	40,053	-	30,190	7,834	38,024
Transactions with owners, recorded directly in equity											
Change in non-controlling interest on disposal of Subsidiary	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(98,037)	-	(98,037)	(6,485)	(104,522)
Transfer to regulatory reserve	-	-	-	-	-	-	(1,624)	1,624	-	-	-
Transfer to statutory reserve	-	4,005	-	-	-	-	(4,005)	-	-	-	-
Balance at 31 December 2021	**1,210,000**	**101,262**	**20,753**	**(130,718)**	**(27,922)**	**(35,972)**	**(371,672)**	**1,756**	**767,487**	**75,681**	**843,168**

The attached notes 1 to 49 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation reserve AED'000*	*Foreign exchange translation reserve AED'000*	*Investment fair value reserve AED'000*	*Treasury shares AED'000*	*Accumulated losses AED'000*	*Regulatory reserve AED '000*	*Total AED'000*	*Non-controlling interest AED'000*	*Total equity AED'000*
Balance at 1 January 2020	1,210,000	82,320	31,930	(112,043)	(27,627)	(35,972)	(376,824)	-	771,784	73,471	845,255
Profit for the year	-	-	-	-	-	-	149,368	-	149,368	7,681	157,049
Other comprehensive income											
Net movement or change in foreign exchange translation reserve	-	-	-	(10,026)	-	-	-	-	(10,026)	785	(9,241)
Net changes in fair value of available-for-sale investments	-	-	-	-	508	-	-	-	508	-	508
Share of other comprehensive income of associates	-	-	-	-	538	-	-	-	538	-	538
Net movement or change in revaluation reserves	-	-	(5,537)	-	-	-	-	-	(5,537)	17	(5,520)
Total other comprehensive loss	-	-	(5,537)	(10,026)	1,046	-	-	-	(14,517)	802	(13,715)
Total comprehensive income for the year	-	-	(5,537)	(10,026)	1,046	-	149,368	-	134,851	8,483	143,334
Transactions with owners, recorded directly in equity											
Change in non-controlling interest on disposal of Subsidiary	-	-	-	-	-	-	-	-	-	(5,056)	(5,056)
Dividend paid	-	-	-	-	-	-	(71,301)	-	(71,301)	(2,566)	(73,867)
Transfer to regulatory reserve	-	-	-	-	-	-	(132)	132	-	-	-
Transfer to retained earnings on disposal of subsidiary	-	-	(5,640)	(127)	-	-	5,767	-	-	-	-
Transfer to statutory reserve	-	14,937	-	-	-	-	(14,937)	-	-	-	-
Balance at 31 December 2020	1,210,000	97,257	20,753	(122,196)	(26,581)	(35,972)	(308,059)	132	835,334	74,332	909,666

The attached notes 1 to 49 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	**2021 AED'000**	2020 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit after tax and distribution to policyholders		**48,173**	157,049
Adjustments for:			
Depreciation on property and equipment	5	**2,937**	3,444
Depreciation on right-to-use assets	8	**3,591**	3,701
Amortisation of intangible assets	6	**852**	883
Share of profit from associates	9	**(1,960)**	(5,341)
Net movement in unearned contribution reserve	15	**40,933**	22,828
Unrealised loss/(gain) on investment	30	**36,634**	(30,869)
Unrealised (gain)/loss on investment properties	30	**(4,220)**	3,481
Provision and impairment of receivables	13	**(1,357)**	5,691
Dividend income	30	**(827)**	(1,314)
Gain on sale of subsidiary	30	**-**	(604)
Gain on disposal of share of associate	30	**-**	(35,059)
Operating cash flows before changes in operating assets and liabilities		**124,756**	123,890
Decrease/(increase) in deposits with takaful and retakaful companies	12	**18**	(295)
(Increase)/decrease in contributions and takaful balance receivable	13	**(4,271)**	(40,017)
Decrease in other assets and receivables	17	**119,186**	53,418
Decrease in assets held-for-sale	19	**-**	57,616
(Decrease)/increase in outstanding claims (net of retakaful)	14	**(31,058)**	20,200
Decrease/(increase) in takaful payables and other payables	22,23	**114,312**	(79,388)
Decrease in liabilities against assets held-for-sale	30	**-**	(42,228)
Net cash generated from operating activities		**322,943**	93,196
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal/(purchase) of property and equipment-net	5	**131**	(1,346)
(Purchase)/disposal of intangible assets-net	6	**(3,387)**	97
Investment property-net	7	**-**	1,436
Net movement in deposits	10	**(36,821)**	10,687
Repayment of principal and interest on lease liability	8	**(3,625)**	(3,608)
Dividend income from associates	9	**1,237**	931
Investments-net	11	**64,005**	(163,418)
Change in unit-linked contracts assets and liabilities		**2,386**	6,982
Decrease in term deposits under lien or with maturity after three month	18	**3,248**	83,073
Proceed from disposal of share in associate	9	**-**	62,488
Dividends received	30	**827**	1,314
Cash from/(used) in investing activities		**28,001**	(1,364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		**1,181**	(5,056)
Funds received from short term borrowings		**25,000**	-
Dividend paid	46	**(98,037)**	(73,867)
Cash used in financing activities		**(71,856)**	(78,923)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**279,088**	12,909
Cash and cash equivalents at 1 January		**83,821**	70,912
Less: Restricted Cash at Bank		**(258,469)**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 18)		**104,440**	83,821
Non cash transaction:			
Provision for liabilities no longer required written back			
Transfer from associate to FVTPL		-	40,802

The attached notes 1 to 49 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Islamic Arab Insurance Co. (Salama) PJSC (the "Company") is a public joint stock company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates under registration number 42381 with Ministry of Economy and under registration number 17 with the Insurance Authority. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari'ah principles and in accordance with the Articles of the Company, UAE Federal Law No. (2) of 2015 for commercial companies and UAE Federal Law No. (6) of 2007, concerning regulations of insurance operations.

Federal Law Decree No. 32 of 2021 which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

The Company and its subsidiaries are referred to as "the Group". Tariic Holding BSC (Tariic), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. Details of the Company's subsidiaries are mentioned in note 28 of these consolidated financial statements. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Shari'ah principles:

Subsidiaries	**Principal activities**	**Group's ownership**		**Country of incorporation**
		2021	2020	
Directly owned				
Tariic Holding Company B.S.C	No takaful operations	**99.40%**	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	Family Takaful	**85%**	85%	Egypt
Salama Immobilier	No takaful operations	**84.25%**	84.25%	Senegal
Egyptian Saudi Insurance Home	General Takaful	**51.15%**	51.15%	Egypt
Through Tariic				
Salama Assurances Algeria	General Takaful	**96.98%**	96.98%	Algeria

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New standards and interpretations effective after 1 January 2021

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform - Phase 2, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.
- Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The effective date is 1 June 2021.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 New and revised IFRS standards and interpretations but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.
The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17: Insurance Contracts. Effective for annual period beginning on or after 1 January 2023
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning after 1 January 2022)
- Amendments to IAS 8: Definition of Accounting Estimates. Effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. Effective for annual period beginning on or after 1 January 2023 with earlier application permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned below, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

2.3 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

The Group has performed an assessment of the amendment and concluded that its activities are predominantly connected with insurance. Management has applied the temporary exemption in its reporting period starting on 1 January 2018. The Group has decided to opt for the options to defer application of IFRS 9 given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 w.e.f. from 1 January 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable provisions of UAE federal Law No. 2 of 2015 , the UAE Federal law No. (6) of 2007, and the articles of association of the Company. The Group is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority pertaining to Article (3) of Section (1), relating to asset distribution and allocation limits and 6(h) – Addendum 1 of Section (1).

The Company also prepares the special purpose financial statement in accordance with financial reporting provisions of Resolution No. (10) of 2016 issued by UAE Insurance Authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

The principal accounting policies are set out below.

3.3 Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of the Company. Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture. Details of the Group's subsidiary at 31 December 2021 are mentioned in Note 1.

3.5 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Business combination (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.6 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investments in associates (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.7 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

3.8 Takaful contracts

3.8.1 Classification

The Group issues contracts that transfer either takaful risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risks.

Contracts under which the Group accepts significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non-happening.

Takaful contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where takaful risk is not significant are classified as investment contracts. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Takaful contracts (continued)

3.8.2 Recognition and measurement

Takaful contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

General Takaful contracts
Gross written contributions, in respect of annual policies, are recognised in the consolidated statement of profit or loss at policy inception. The contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions are included under "unearned contributions" in the consolidated statement of financial position.

Family Takaful contracts
These contracts relate to human life events, for example death, bodily injury etc. For short term contracts, normally with group customers, the contributions are recognised when due. For long term contracts, normally with individual customers, the contributions are booked on receipt.

Investment featured unit-linked contracts
A unit-linked takaful contract is a takaful contract linking payments on the contract to units of investment funds administrated by the Group with the contributions received from the plan holder. These funds are administrated by the Group on behalf of plan holders in fiduciary trust as a Mudarib (Manager). In addition, Group manages Tabarru fund on behalf of plan holders to meet the obligations arising out of takaful operations. The Group has no recourse to the assets of Tabarru fund. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the plan holder is linked to the performance of the underlying assets of these funds. This embedded derivative meets the definition of a takaful contract. Since all the liabilities arising from the embedded derivative are already measured at fair value and since all the investments on behalf of plan holders are classified as fair value through profit and loss, the Group does not account for embedded derivatives separately.

In case of a claim, the amount paid is the higher of the sum assured or the unit value. The liability is calculated through actuarial valuation based on the present value of expected benefits to plan holders.

Where the Tabarru Fund is insufficient to meet the liabilities, the shareholders shall grant profit free loan to the fund to meet its liabilities under the contracts held with participants. This loan is called Qard-e-Hasan. The Qard-e-Hasan is repaid to shareholders from the future surplus of Tabarru Fund.

The contribution after allocation to unit fund/investment fund of plan holder is called Takaful Donation and is taken to Tabarru fund from where Wakala fee is paid to shareholders. Takaful Donation is based on appropriate rates of mortality and morbidity. The Tabarru fund is a collective pool established, invested and managed in accordance with Shari'ah Principles with the purpose of providing benefits on the lives of covered members (plan holders) and for the repayment of Qard-e-Hasan (if applicable).

The individual life contracts contain investment participation feature. A surplus may arise in Tabarru fund after accounting for the claims, relevant expenses, investment returns and reserves. The surplus is available for the distribution to eligible participants provided there is net surplus in the Tabarru Fund in respect of the relevant year. The distribution is at the discretion of the Board of Directors. This contractual right is supplement to the other benefits mentioned in the contract.

These takaful contracts insure human life events over a long duration. However, Takaful contributions are recognised directly as liabilities. These liabilities are increased by fair value movement of underlying investments/unit prices and are decreased by policy administration fees, mortality and surrender charges and withdrawals, if any.

The liability for these contracts includes any amounts necessary to compensate the Group for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Takaful contracts (continued)

3.8.3 Unearned contribution reserve

The unearned contribution considered in the unearned contributions reserve comprise the estimated proportion of the gross contribution written which relates to the periods of takaful subsequent to the consolidated statement of financial position date. Unearned contribution reserve is calculated using the 1/365 method except for marine and engineering business. The unearned contribution reserve for marine is recognised as fixed proportion of the written contribution as required in the financial regulation. The rate at which the contribution is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned contribution for Family Takaful business are considered by the Group's actuary in the calculation for family takaful reserve.

3.8.4 Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group’s estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

3.8.5 Gross claims paid

Gross claims paid are recognised in the consolidated statement of profit or loss when the claim amount payable to policyholders' and third parties are determined as per the terms of the takaful contracts.

3.8.6 Claims recovered

Claims recovered include amounts recovered from retakaful companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group. It also includes salvage and other claims recoveries.

3.8.7 Gross outstanding and IBNR claims

Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the consolidated financial position date. Provisions for reported claims not paid as at the date of consolidated statement of financial position are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported (“IBNR”) at the date of consolidated statement of financial position on the basis of management estimates.

The retakaful share of the gross outstanding claims is estimated and shown separately.

3.8.8 Contribution deficiency reserve

Provision is made for contribution deficiency arising from general takaful contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the consolidated financial position date exceeds the unearned contributions provision and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned contributions and claims provisions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Takaful contracts (continued)

3.8.9 Retakaful

The Group cedes retakaful in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from retakaful operators are accounted for in a manner consistent with the related contributions is included in retakaful assets.

Retakaful assets are assessed for impairment at each consolidated financial position date. A retakaful asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on retakaful assets are recognised in consolidated statement of profit or loss in the year in which they are incurred.

Profit commission in respect of retakaful contracts is recognised on an accrual basis.

3.8.10 Deferred commission cost

For short term takaful contracts, the deferred commission cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross contributions written that is unearned at the date of consolidated statement of financial position and becomes part of unearned contribution reserves.

For individual family takaful and long term unit-linked takaful contracts, commission relating to takaful features are amortised systematically over the average policy life. Commission that relates to investments feature is allocated to Participants on prorata basis.

3.8.11 Takaful receivables and payables

Amounts due from and to policyholders, agents, reinsurers and retakaful companies and liability towards Participant Investment Account are financial instruments and are included in takaful receivables and payables, and not in takaful contract provisions or retakaful assets.

3.8.12 Family takaful reserves

The risk reserves are determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income.

3.8.13 Salvage and subrogation reimbursements

Some takaful contracts permit the Group to sell property (usually damaged) acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries and subrogation reimbursements are recognised as an allowance in the measurement of the takaful liability for claims.

3.8.14 Liability adequacy test

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Revenue recognition

3.9.1 Takaful contract income

Revenue from takaful contracts is measured under revenue recognition criteria stated under takaful contracts in these consolidated financial statements.

3.9.2 Profit from deposits

Profit from deposits is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.9.3 Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3.9.4 Fee and commission income

Fee and commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies.

3.9.5 Rental income

Rental income from investment properties which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.10 Foreign currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Employee benefits

3.11.1 Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.11.2 Provision for employees’ end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period. The provision relating to end of service indemnity is a non-current liability.

3.12 Property and equipment

Land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and any identified impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in other comprehensive income to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Other property and equipment are carried at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives of these assets (except for land) are 4 – 10 years.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalised. When capitalised, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group’s accounting policies.

3.13 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer Software
Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 3 - 5 years.

3.15 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Income tax

The Company is not subject to any taxes on profits in the UAE. Taxation on foreign operations of the subsidiaries is provided for in accordance with fiscal regulations applicable in each territory.

3.18 Policyholders' fund

Any deficit in the policyholders' fund is financed by the shareholders through Qard-e-Hasan as per their undertaking. The Group maintains a full provision against such balances (note 24).

3.19 Leases

The Group as lessee
The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Leases (continued)

The Group as lessee (continued)
The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'General and administrative expenses' in the consolidated statement of comprehensive income.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

3.20 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at held for trading, which are initially measured at fair value.

Financial assets of the Group are classified into the following specified categories: bank and cash balance, available-for-sale securities, fair value through profit or loss, held to maturity investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.20.1 Bank balances and cash

Bank balances and cash comprise cash on hand and deposits and current accounts with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.20.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term with any resultant gain or loss recognised in profit or loss.

3.20.3 Held to maturity investment

If the Group has the positive intent and ability to hold debt securities and islamic placements to maturity, and these debt securities and islamic placements have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective profit sharing rate, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial assets (continued)

3.20.4 Available-for-sale securities

Available-for-sale securities are initially measured as cost, being fair value, including transaction costs, and are subsequently re-measured to fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative changes in fair value of available-for-sale securities reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

Dividend on available-for-sale securities are recognised in profit or loss when the Group's right to receive the dividend is established.

3.20.5 Loans and receivables

Takaful and other receivables (excluding prepayments) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.20.6 Impairment of financial assets

Financial assets, other than those at held for trading, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as takaful and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For held to maturity investment, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When a contract receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale securities is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.20.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial liabilities and equity instruments issued by the Group

3.21.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.21.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.21.3 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity in consolidated statement of changes in equity.

3.21.4 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

3.21.5 Other financial liabilities

Takaful and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

Takaful and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.21.6 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.21.7 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Group's shareholders.

3.22 Underwriting income attributable to policyholders and shareholders

As stated in note 1, the Group operates in accordance with Islamic Shari'ah principles. As a result, the net underwriting income from the operations of the Group is attributable to policyholders in accordance with the terms and conditions of takaful contracts acquired by the policyholder which stipulates that the insured, on taking out this policy from the Group becomes entitled to participate in the contributions pool with insured parties in the class of takaful on cooperative (mutual) basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Underwriting income attributable to policyholders and shareholders (continued)

The relationship of the insured with the Group is determined particularly as to his share in the surplus net of management expenses, liabilities for claims and necessary reserves, by the Board of Directors of the Group for the class of takaful at the end of fiscal year of the Group. The Group undertakes to pay such share to the insured in the net profits in accordance with the resolution of the Board of Directors of the Company after the close of fiscal year of the Group. However, the net underwriting income from the operations of subsidiaries is attributable to the shareholders in accordance with the regulations prevailing in the jurisdiction of each subsidiary.

3.23 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading or available-for-sale. The Group classifies investments at held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as available-for-sale securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Group's investments in securities are appropriately classified.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, plant and equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Critical accounting judgements (continued)

4.1.3 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension, automatic renewal options are only included in the lease term if the lease is reasonably certain to be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 The ultimate liability arising from claims made under takaful and retakaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Further, a range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2021. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

4.2.2 Impairment of takaful receivables

An estimate of the collectible amount of takaful receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policyholders and the insurance/takaful companies, historical recovery rates and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.4 Amortization of deferred commission costs and deferred commission income

The amount of commission costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the commission. commission cost on long-term Takaful contracts without fixed terms with investment participation feature are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in note 3.8.10. The pattern of expected profit margins is based on historical and anticipated future experiences which consider assumptions, such as expenses, lapse rates or investment income and are updated at the end of each accounting period.

4.2.5 Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

4.2.6 Impairment of available-for-sale securities - Unquoted

The Group determines whether available for sale securities are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

4.2.7 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.2.8 Discounting of lease payments

The lease payments are discounted using the Group’s incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease. Group discounted lease payments using the incremental borrowing rate of 4.5% per annum.

4.2.9 Revaluation of land and building

IAS 16 – Land and building require revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Management has estimated a period of 3 years as sufficient regularity for revaluation of land and building.

4.2.10 Valuation of investment properties

The fair value of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuers provide the fair value of the Group's investment properties portfolio annually.

5. PROPERTY AND EQUIPMENT

	Land AED'000	*Building AED'000*	*Furniture and fixtures AED'000*	*Computer AED'000*	*Vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost or valuation							
At 1 January 2020	9,903	34,378	14,321	7,947	2,286	346	69,181
Additions during the year	-	-	431	569	50	5	1,055
Foreign exchange translation	220	-	(503)	(243)	(126)	-	(652)
Disposals	-	-	-	(10)	(147)	-	(157)
Surplus of revaluation	(963)	(9,261)	-	-	-	-	(10,224)
Transfer from CWIP	-	-	16	-	-	(16)	-
At 31 December 2020	9,160	25,117	14,265	8,263	2,063	335	59,203
Additions during the year			550	716	207	251	1,724
Foreign exchange translation	(451)	(1,448)	(263)	(135)	(61)	-	(2,358)
Disposals	-	-	-	-	(45)	-	(45)
At 31 December 2021	**8,709**	**23,669**	**14,552**	**8,844**	**2,164**	**586**	**58,524**

5. PROPERTY AND EQUIPMENT (continued)

	Land AED'000	*Building AED'000*	*Furniture and fixtures AED'000*	*Computer AED'000*	*Vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Accumulated depreciation							
At 1 January 2020	-	3,323	10,433	6,546	1,713	-	22,015
Charge for the year	-	1,568	885	747	244	-	3,444
Disposals	-	-	-	(7)	(56)	-	(63)
Foreign exchange translation	-	(187)	(495)	(247)	(108)	-	(1,037)
Eliminated on revaluation	-	(4,704)	-	-	-	-	(4,704)
At 31 December 2020	-	-	10,823	7,039	1,793	-	19,655
Charge for the year	-	1,411	783	576	167	-	2,937
Disposals	-	-	-	-	(45)	-	(45)
Foreign exchange translation	-	(40)	(273)	(135)	(55)	-	(503)
Eliminated on revaluation	-	-	-	-	-	-	-
At 31 December 2021	**-**	**1,371**	**11,333**	**7,480**	**1,860**	**-**	**22,044**
Carrying amount							
At 31 December 2021	**8,709**	**22,298**	**3,219**	**1,364**	**304**	**586**	**36,480**
At 31 December 2020	9,160	25,117	3,442	1,224	270	335	39,548

Revaluation of the Group's land and building

The Group's land and building are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Group's land and buildings were last revalued by an independent valuer not related to the Group as at 31 December 2020. The valuer have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards.

The fair value of land and building was determined based depreciated replacement cost method of valuation for the existing structures and the comparable method of valuation for the underlying land.

The revalued land and buildings are classified under Level 3 of fair value hierarchy as the valuation technique include significant unobservable inputs used in the fair value estimation.

6. GOODWILL AND INTANGIBLES

	Goodwill AED'000	*Computer software AED'000*	*Total AED'000*
Cost			
At 1 January 2020	124,832	10,484	135,316
Additions	-	192	192
Written-off on disposal	(10,192)	-	(10,192)
Disposals	-	(550)	(550)
Effect of movements in exchange rates	-	(389)	(389)
At 31 December 2020	114,640	9,737	124,377
At 1 January 2021	114,640	9,737	124,377
Additions	-	3,392	3,392
Written-off on disposal	-	-	-
Disposals	-	(332)	(332)
Effect of movements in exchange rates	-	(167)	(167)
At 31 December 2021	**114,640**	**12,630**	**127,270**
Accumulated amortization and impairment losses			
At January 2020	10,192	8,907	19,099
Charge for the year	-	883	883
Written-off on disposal	(10,192)	(330)	(10,522)
Effect of movements in exchange rates	-	(320)	(320)
At 31 December 2020	-	9,140	9,140
At 1 January 2021	-	9,140	9,140
Charge for the year	-	852	852
Written-off on disposal	-	-	-
Effect of movements in exchange rates	-	(494)	(494)
At 31 December 2021	**-**	**9,498**	**9,498**
Net book value			
At 31 December 2021	**114,640**	**3,132**	**117,772**
At 31 December 2020	114,640	597	115,237

Computer software licences acquired by the Group are capitalised on the basis of the costs incurred to acquire and bring into their internal use.

With effect from 1 January 2005, the Group acquired 82.21% share in Tariic. The operating results and financial position of Tariic for the year ended 31 December 2005 have been consolidated with the financial statements of the Group as at that date as the Group has control over the operating and financial policies of Tariic. The above acquisition resulted in recognition of Goodwill in the consolidated statement of financial position amounting to AED 186.19 million.

Subsequently the Group increased its holding in Tariic to 99.40% as at 30 September 2007 by further acquisitions of 4,080,465 shares. The net resultant discount of AED 2.62 million on these acquisitions was recognised directly in the Group's shareholder's equity.

The management has allocated goodwill to each subsidiary on systematic basis in 2015. In 2018, based on the decision of the Board of Directors of the Group to sell its investment in one of its subsidiaries Best Re Holding, accordingly management has impaired goodwill amounting to AED 61.36 million attributable to Best Re Holding in full to profit or loss.

6. GOODWILL AND INTANGIBLES (continued)

In 2020, Board of Directors of the Group approved to sell one of its subsidiaries of Tariic, Salama Assurance Senegal, the management has impaired the goodwill and further wrote it off amounting to AED 10.2 million attributable to subsidiary to profit or loss being the difference between carrying value and recoverable amount.

For the purpose of impairment testing, recoverable amount was based on fair value less cost of disposal using estimated discounted cash flows.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth, consistent with the assumption that a market participant would note.

The key assumptions described above may change as the economic and market conditions change. Management estimates if key assumptions increase/decrease by 1%, the carrying amount of goodwill may (decrease)/increase by AED 7.49 million.

7. INVESTMENT PROPERTIES

Investment property portfolio of the Group represents land and building acquired by the Group directly and through its controlled subsidiaries.

Geographical representation of investment properties are as follows:

	2021 AED'000	*2020 AED'000*
Within U.A.E.	**9,000**	8,000
Outside U.A.E.	**133,055**	131,534
At 31 December	**142,055**	139,534

Other than the investment property in the Kingdom of Saudi Arabia amounting to AED 85 million which is subject to ongoing legal case disclosed in note 34 , the fair value of the Group's investments properties as at 31 December 2021 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group and have appropriate qualifications and recent market experience in the valuation of properties.

The fair value of plots of land was determined based on the acceptable approach that reflects recent transaction prices for similar properties. The fair value of buildings was determined using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2021 (2020: Level 3). Investment property amounting to AED 85 million (2020: AED 85 million) is in the name of a third party.

The rental income of properties amount to AED 0.64 million in 2021 (2020: AED 0.48 million), there is no direct related expenses in respect of investment property. The Group investment property portfolio, is being managed and maintained by a third party administrator, and the rental income received from these properties are being set off with the administrative fees.

Movement in investment properties	***2021 AED'000***	*2020 AED'000*
Balance at 1 January	**139,534**	144,451
Unrealised gain/(loss) on investment properties (note 30)	**4,220**	(3,481)
Currency translation differences	**(1,699)**	(1,436)
	142,055	139,534

8. LEASES

8.1 Right-of-use assets

	2021 AED'000	*2020 AED'000*
Balance as at 1st January	**8,034**	9,769
Additions	**-**	2,454
Disposals	**-**	(482)
Charge for the year	**(3,591)**	(3,701)
Foreign exchange differences	**(17)**	(6)
Balance as at 31st December	**4,426**	8,034

The average term of Group lease is ranging from 3 to 5 years.

8.2 Lease liabilities

The maturity analysis of lease liabilities are as follows:

	2021 AED'000	*2020 AED'000*
Less than one year	**2,420**	3,791
Between one and five years	**2,219**	4,473
	4,639	8,264

The Group have taken 4.5% (2020: 4.5%) as incremental borrowing rate.

	2021 AED'000	*2020 AED'000*
Amount recognised in consolidated statement of profit or loss		
Depreciation	**3,591**	3,701
Finance cost on lease liabilities	**298**	234
Amount recognised in consolidated statement of cashflows		
Payment of lease liabilities	**3,625**	3,608

9. INVESTMENT IN ASSOCIATES

The principal associates of the Group, all of which have 31 December as their year end are as follows:

Associates	*Ownership* ***2021***	*2020*	*Country of incorporation*	***2021 AED'000***	*2020 AED'000*
Islamic Insurance Jordan	20%	20%	Jordan	34,447	32,932

9. INVESTMENT IN ASSOCIATES (continued)

	2021 AED'000	*2020 AED'000*
Movement during the year		
Balance at 1 January	**32,932**	96,215
Share of profit from associates (note 30)	**1,960**	5,341
Dividend received	**(1,236)**	(931)
Share of other comprehensive income	**791**	538
Carrying amount of investment on the date of loss of significant influence*	**-**	(68,231)
	34,447	32,932

Summarised financial information of the Group's Associates is set out below:

	2021 AED'000	*2020 AED'000*
Total assets	**222,957**	215,230
Total liabilities	**(98,828)**	(99,103)
Net assets	**124,129**	116,127
Revenue	**89,557**	85,052
Profit	**9,801**	8,976

*Upto 19 August 2020, the Group held a 30% interest in Salama Cooperative Insurance Company and accounted for the investment as an associate. During August 2020, the Group disposed of an 18% interest in Salama Cooperative Insurance Company to a third party for proceeds of AED 62.5 million (received in August 2020). The Group has accounted for the remaining 12% interest as a financial asset at FVTPL whose fair value at the date of disposal was AED 40.8 million, which was determined based on the market price. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	31 December 2021 AED'000	*31 December 2020 AED'000*
Proceeds of disposal	**-**	62,488
Plus: fair value of investment retained (12%)	**-**	40,802
Less: carrying amount of investment on the date of loss of significant influence	**-**	(68,231)
Gain recognised	**-**	35,059

10. DEPOSITS

	2021 ***AED'000***	*2020* *AED'000*
Company		
Islamic Arab Insurance Co. (Salama)	**10,000**	10,000
Egypt Saudi Insurance Home	**96,341**	77,957
Salama Algeria	**85,854**	81,955
Misr Emirates Takaful Life Insurance Co.	**47,454**	32,916
	239,649	202,828

The deposits include AED 10.77 million (2020: AED 10.76 million) as statutory deposits, which are required to be placed by all insurance and takaful companies operating in respective countries mentioned above with the designated national banks.

The deposits include AED 228.88 million (2020: AED 192.1 million) as investments and deposits, which are depending on the nature of takaful activities of takaful companies and cannot be withdrawn except with the prior approval of the regulatory authorities.

11. INVESTMENTS

	31 December 2021			*31 December 2020*		
	Domestic investment AED'000	***International investment AED'000***	***Total AED'000***	*Domestic investment AED'000*	*International investment AED'000*	*Total AED'000*
Financial assets at fair value through profit or loss						
Shares and securities*	**-**	**59,534**	**59,534**	-	95,612	95,612
Available-for-sale investments						
Mutual fund and externally managed portfolios	**-**	**62,561**	**62,561**	-	62,426	62,426
Shares and securities	**-**	**934**	**934**	-	787	787
	-	**63,495**	**63,495**	-	63,213	63,213
Islamic placements	**-**	**172,762**	**172,762**	-	172,450	172,450
Held to maturity						
Sukuk and Government bonds	**-**	**118,890**	**118,890**	-	196,074	196,074
Wakalah certificates	**54,094**	**-**	**54,094**	54,094	-	54,094
Other Mudariba investments	**-**	**90,291**	**90,291**	-	95,153	95,153
	54,094	**209,181**	**263,275**	54,094	291,227	345,321
	54,094	**504,972**	**559,066**	54,094	622,502	676,596
Quoted	**-**	**59,926**	**59,926**	-	96,024	96,024
Unquoted	**54,094**	**445,046**	**499,140**	54,094	526,478	580,572
	54,094	**504,972**	**559,066**	54,094	622,502	676,596

11. INVESTMENTS (continued)

*The Group's investments include Assets under qualification in Islamic placement investments of AED 47.14 million, available-for-sale investments of AED 62.56 million and held to maturity investments of AED 65.74 million.

Islamic Placements represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5.00% (2020: 0.22% to 5.00%) and maturing in more than three months from date of acquisition. During the year ended 31 December 2021, the Group purchased shares worth AED 19.4 million (2020: AED 4.6 million) which are classified as fair value through profit or loss and available-for-sale investments.

Fair value of the Group's investment in shares amounting to AED 49.9 million (2020: AED 72.7 million) pertaining to Salama Cooperative Insurance Company is impacted due to accumulated losses crossing over and above the prescribed regulatory limits in KSA. As per recommendation by the Board of Directors of Salama Cooperative Insurance Company, the company is expected to reduce their 60% of capital, subject to approval of regulators and extra ordinary general assembly meeting.

11.3 Participants' investments in unit-linked contracts

	2021 AED'000	*2020 AED'000*
Financial asset at fair value through profit or loss	**2,396,075**	2,228,346

12. DEPOSITS WITH TAKAFUL AND RETAKAFUL COMPANIES

	2021 AED'000	*2020 AED'000*
Contributions deposits	**174**	88
Claim deposits	**2,213**	2,318
	2,387	2,406

As per the relevant local regulations, the ceding Group retains a portion of unearned contributions and outstanding claims after net payments to the insurer.

13. CONTRIBUTIONS AND TAKAFUL BALANCE RECEIVABLES

	2021 AED'000	*2020 AED'000*
Takaful contributions receivables	**158,510**	189,134
Due from takaful and retakaful companies	**102,670**	67,725
	261,180	256,859
Provision for impairment losses		
Takaful contributions receivables	**(14,656)**	(21,102)
Due from takaful and retakaful companies	**(33,120)**	(27,981)
	213,404	207,776

13. CONTRIBUTIONS AND TAKAFUL BALANCE RECEIVABLES (continued)

Aging of contributions and takaful balance receivables

	2021	
	Gross amount AED'000	***Impairment AED'000***
Not yet due	**52,607**	**(162)**
Past due over 0 to 30 days	**18,272**	**(62)**
Past due over 31 to 90 days	**42,267**	**(41)**
Past due over 91 to 180 days	**21,686**	**(347)**
Past due over 181 to 270 days	**13,612**	**(290)**
Past due over 271 days to 360 days	**22,682**	**(23)**
Over 360 days	**90,054**	**(46,851)**
Total contributions and takaful balance receivables	**261,180**	**(47,776)**
Net contributions and takaful balance receivables	**213,404**	

	2020	
	Gross amount AED'000	*Impairment AED'000*
Not yet due	22,508	(129)
Past due over 0 to 30 days	17,896	(53)
Past due over 31 to 90 days	47,317	(443)
Past due over 91 to 180 days	47,746	(52)
Past due over 181 to 270 days	35,335	-
Past due over 271 days to 360 days	30,879	(184)
Over 360 days	55,178	(48,222)
Total contributions and takaful balance receivables	256,859	(49,083)
Net contributions and takaful balance receivables	207,776	

Movement of provision for impairment losses

	2021 AED'000	*2020 AED'000*
Balance at the beginning of the year	**49,083**	43,392
Change during the year	**(1,307)**	5,691
Balance at the end of the year	**47,776**	49,083

14. OUTSTANDING CLAIMS AND FAMILY TAKAFUL RESERVE

	2021 AED'000	*2020 AED'000*
Reserve for outstanding claims and family takaful reserve	**478,067**	480,531
Reserve for incurred but not reported claims	**96,883**	78,067
	574,950	558,598
Less: Retakafuls' share of outstanding claims	**(262,350)**	(214,940)
	312,600	343,658

14. OUTSTANDING CLAIMS AND FAMILY TAKAFUL RESERVE (continued)

Movements in outstanding claims reserve and family takaful reserve

	2021			
	Gross AED'000	***Retakaful AED'000***	***Adjustment AED'000***	***Net AED'000***
Balance at 1 January	**558,598**	**(214,940)**	**-**	**343,658**
Currency translation differences	**-**	**-**	**(3,456)**	**(3,456)**
Net movement during the year	**16,352**	**(47,410)**	**3,456**	**(27,602)**
Balance at the end of the year	**574,950**	**(262,350)**	**-**	**312,600**

	2020			
	Gross AED'000	*Retakaful AED'000*	*Adjustment AED'000*	*Net AED'000*
Balance at 1 January	485,017	(161,559)	-	323,458
Currency translation differences	-	-	(1,363)	(1,363)
Net movement during the year	73,581	(53,381)	1,363	21,563
Balance at the end of the year	558,598	(214,940)	-	343,658

15. UNEARNED CONTRIBUTION RESERVE

Movements in unearned contributions reserve:

	2021			
	Gross AED'000	***Retakafuls' AED'000***	***Adjustment AED'000***	***Net AED'000***
Balance at 1 January	**323,040**	**(172,006)**	**-**	**151,034**
Currency translation differences	**-**	**-**	**(765)**	**(765)**
Provision made during the year	**327,756**	**(135,789)**	**765**	**192,732**
Provision released during the year	**(323,040)**	**172,006**	**-**	**(151,034)**
Balance at the end of the year	**327,756**	**(135,789)**	**-**	**191,967**

	2020			
	Gross AED'000	*Retakafuls' AED'000*	*Adjustment AED'000*	*Net AED'000*
Balance at 1 January	264,440	(136,234)	-	128,206
Currency translation differences	-	-	(928)	(928)
Provision made during the year	323,040	(172,006)	928	151,962
Provision released during the year	(264,440)	136,234	-	(128,206)
Balance at the end of the year	323,040	(172,006)	-	151,034

16. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the International Accounting Standard 24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. The following are the details of significant transactions with related parties.

	2021 ***AED'000***	*2020* *AED'000*
Contribution	**3,516**	2,006
Claims paid	**9,532**	8,156
General and administrative expenses	**115**	-
Compensation of key management personnel		
Short term benefits	**5,687**	5,824
Employees end of service benefits	**85**	544
	5,772	6,368
Directors' remuneration	**14,200**	-

Balances with related parties

	2021 ***AED'000***	*2020* *AED'000*
Cash and bank balances	**301**	555
Investments held-to-maturity - wakalah certificates	**54,094**	54,094
Participants' investments in unit-linked contracts	**369,494**	309,417
Fixed Assets	**262**	-
Intangible Assets	**500**	-
Amount due to related party	**405**	-

17. OTHER ASSETS AND RECEIVABLES

	2021 ***AED'000***	*2020* *AED'000*
Deferred commission	**178,156**	251,126
Prepaid commission	**6,024**	34,678
Others*	**72,174**	89,736
	256,354	375,540

*The other assets and receivables include other receivables amounting to AED 13.8 million which was previously subjected to a legal case, and on which the Group has won, and the court has issued performance order and is now under execution against the relevant counter parties.

Other assets and receivable also include other receivable amounting to AED 19.85 million receivable against sale of investment in Best Re Holding Limited (note 19).

The management believes at this stage that these receivables are recoverable and thus, no provision has been made.

18. BANK BALANCES AND CASH

	2021 *AED'000*	*2020* *AED'000*
Cash in hand	**69**	17
Cash at bank	**346,886**	74,233
Term deposits (Note 18.1)	**20,835**	17,700
	367,790	91,950
Less: term deposits with maturity after three months	**-**	(4,331)
Less: term deposits under lien	**(4,881)**	(3,798)
Less: Restricted bank balances*	**(258,469)**	-
Cash and cash equivalent	**104,440**	83,821

***As a result of the Precautionary Attachment Order in connection with the ongoing litigations, the Group's bank accounts has been attached as at 31 Dec 2021 (note 34). The attachment was removed in subsequent period as described in Note No.48.

Cash and bank balances – by geographical distribution

	2021 *AED'000*	*2020* *AED'000*
Domestic	**334,001**	70,328
International	**33,789**	21,622
	367,790	91,950

18.1 Term deposits carried profit ranging from 0.18% to 0.58% per annum *(*2020: 0.4% to 0.9% per annum).

19. DISCONTINUED OPERATIONS

Salama Assurance Senegal

In 2019, the Board of Directors have approved to dispose of one of the subsidiary of Tariic, Salama Assurance Senegal. Consequently, the Group's investment in Salama Assurance Senegal was classified as investment held-for-sale in the 2019 annual consolidated financial statements. Pursuant to Board resolution, during the year 2020 management has entered into a sale and purchase agreement ("SPA") with counter party to sell the Group's entire shareholding in Salama Assurance Senegal against a purchase consideration of EUR 2.61 million (equivalent AED 11.59 million) to be received in four installments. The sale has been concluded in 2020 and during the year 2021 the balance amount of Euro 2.11 million (equivalent AED 9.28 million) were received in cash by the Group.

Best Re Holding Limited

In 2018, the Board of Directors has resolved to dispose of the Group's investment in Best Re Holding Limited ("Best Re"). Pursuant to Board resolution, management has entered into a sale and purchase agreement ("SPA") with counter party to sell the Group's entire shareholding in Best Re. As per the terms of SPA, USD 0.1 million (equivalent AED 0.37 million) will be paid in cash by the buyer and remaining USD 5.4 million (equivalent to AED 19.85 million) is contingent upon the future recoveries from portfolio of Best Re to be paid in two years' time from the date of signing of SPA, i.e. 11 November 2018. The sale was concluded in 2020. As at reporting date, other assets and receivables includes remaining amount of USD 5.4 million (equivalent to AED 19.85 million).

19. DISCONTINUED OPERATIONS (continued)

19.1 Results from discontinued operations

	2021 AED'000	*2020 AED'000*
Revenue	**-**	11,464
Expenses	**-**	(11,314)
Profit from discontinued operations, net of tax	**-**	150

Cash flows generated from discontinued operations

	2021 AED'000	*2020 AED'000*
Net cash generated from operating activities	**-**	1,666
Net cash used in investing activities	**-**	(1,169)
Net cash flows for the year	**-**	497

19.2 Disposal group held-for-sale

Assets and liabilities of disposal group held-for-sale

The net assets from the disposal group were AED nil (2020: AED nil).

20. PAYABLE TO PARTICIPANTS FOR UNIT-LINKED CONTRACTS

	2021 AED'000	*2020 AED'000*
Balance at 1 January	**2,224,849**	1,983,043
Amounts invested by Participants	**641,131**	666,185
Refund during the year	**(12,133)**	(13,835)
Net movement including redemption in fund	**(458,884)**	(410,544)
	2,394,963	2,224,849

21. SHORT-TERM BORROWINGS

	31 December 2021 (unaudited) AED'000	*31 December 2020 (audited) AED'000*
Short-term borrowings	**25,000**	-

In 2021, the Group obtained a short-term Mudaraba financing amounting to AED 75 million from a local Islamic bank payable in 12 equal monthly instalments of AED 6.25 million. The profit is shared between the bank and the Group using a certain ratio. If the Mudaraba achieves a profit for the bank in excess of 2.3% over 1-month EIBOR per annum, then the bank may pay the excess profit to the Group. The profit paid for the year ended 31 December 2021 amounted to AED 0.9 million and is recorded under 'Financial expenses' in the consolidated statement of profit or loss.

22. TAKAFUL BALANCES PAYABLE

	2021 *AED'000*	*2020* *AED'000*
Takaful companies	**13,377**	16,043
Retakaful companies	**192,285**	147,787
	205,662	163,830

23. OTHER PAYABLES AND ACCRUALS

	2021 *AED'000*	*2020* *AED'000*
Payable to garages and brokers	**18,632**	11,852
Payable to suppliers	**76,892**	51,286
Bonus and Incentive Payable Family Takaful	**1,559**	6,217
Staff related accruals	**25,630**	21,917
Accrued expenses	**4,087**	7,429
Other provisions	**11,404**	10,504
Taxes payable	**18,741**	23,475
Surplus payable to policyholders	**1,262**	3,133
Funded commission payable	**95,269**	132,302
Surrender/Refund payable Family Takaful	**107,580**	15,301
Other payables	**30,850**	36,010
	391,906	319,426

24. POLICYHOLDERS' FUND

	2021 *AED'000*	*2020* *AED'000*
Balance at 1 January	**(688,010)**	(612,051)
Net deficit attributable to policyholders for the year (note 35)	**5,994**	(72,992)
Surplus distribution to policyholders of family takaful	**-**	(2,967)
Write-off of Qard Hassan	**682,016**	-
	-	(688,010)
Financed by shareholders	**-**	688,010
Policyholders' fund	**-**	-

The shareholders of the Group financed the policyholders' deficit in accordance with the takaful contracts between the Group and its Policyholders.

25. SHARE CAPITAL

	2021 *AED'000*	*2020* *AED'000*
Authorised, issued and fully paid up capital 1,210,000,000 shares of AED 1 each (2020: 1,210,000,000 shares of AED 1)	**1,210,000**	1,210,000

26. TREASURY SHARES

In 2008, the Group bought back 21,667,377 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. The process for capital reduction has been initiated by the Company.

27. STATUTORY RESERVE

In accordance with Article 239 of the U.A.E. Federal Law No. (2) of 2015 and the Articles of Association of the Company, 10% of the net profit is required to be transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

28. OTHER RESERVES

Other reserves include following:

	2021 AED'000	*2020 AED'000*
Revaluation reserve	**20,753**	20,753
Foreign exchange translation reserve	**(130,718)**	(122,196)
Investment fair value reserve	**(27,922)**	(26,581)
Regulatory reserve – UAE operations (Note 28.1)	**1,756**	132
	(136,131)	(127,892)

28.1 Regulatory reserve – UAE operations

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No.(23) of 2020, the Company has allocated an amount equals to 0.5% of the total reinsurance premiums ceded in all classes to reinsurance reserve from the effective date of the said decision. This reserve shall be accumulated year after year and may not be disposed off without the written approval of the Director General of the Insurance Authority.

29. NON-CONTROLLING INTEREST

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests (NCI) as at the reporting date, before any intra group eliminations:

Egypt Saudi Insurance Home

	2021 AED'000	*2020 AED'000*
Non-controlling interest share	**48.85%**	48.85%
Current assets	**212,519**	158,956
Non-current assets	**117,199**	96,945
Current liabilities	**(222,806)**	(150,647)
Carrying amount of non-controlling interest (A)	**52,226**	51,417

29. NON-CONTROLLING INTEREST (continued)

	2021 *AED'000*	*2020* *AED'000*
Underwriting income	**25,801**	15,156
Profit	**14,732**	12,447
Total comprehensive income	**14,933**	14,758
Profit allocated to non-controlling interest	**7,295**	7,209
Cash flows generated from operating activities	**22,196**	31,977
Cash flows used in investing activities	**(18,763)**	(26,147)
	3,433	5,830

Other subsidiary

	2021 *AED'000*	*2020* *AED'000*
Carrying amount of non-controlling interest (B)	**23,287**	22,915
Total Carrying amount of non-controlling interest (A+B)	**75,513**	74,332

30. INCOME FROM INVESTMENTS

	For the year ended 31 December 2021		
	Shareholders *AED'000*	*Policyholders* *AED'000*	*Total* *AED'000*
Income from investments in Mudaraba and fund	**9,359**	-	**9,359**
Realised gain on sale of investments	**6,279**	-	**6,279**
Unrealised loss on investments	**(36,634)**	-	**(36,634)**
Unrealised gain on investments properties (note 7)	**4,220**	-	**4,220**
Loss on sukuk and other held to maturity investments	**(6)**	-	**(6)**
Income from bank deposits and loans and receivables	**31,729**	**56**	**31,785**
Dividend income	**827**	-	**827**
Share of profit from associates (note 9)	**1,960**	-	**1,960**
Rental income (note 7)	**637**	-	**637**
	18,371	**56**	**18,427**

	For the year ended 31 December 2020		
	Shareholders *AED'000*	*Policyholders* *AED'000*	*Total* *AED'000*
Income from investments in Mudaraba and fund	12,078	-	12,078
Realised gain on sale of investments	4,232	-	4,232
Unrealised gain on investments	30,869	-	30,869
Unrealised loss on investments properties (note 7)	(3,481)	-	(3,481)
Loss on sukuk and other held to maturity investments	(5)	-	(5)
Income from bank deposits and loans and receivables	30,178	160	30,338
Dividend income	1,314	-	1,314
Share of profit from associates (note 9)	5,341	-	5,341
Rental income (note 7)	479	-	479
Gain recognized on sale of shares of associate (note 9)	35,059	-	35,059
Profit on sale of subsidiary	604	-	604
	116,668	160	116,828

31. GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

	2021 AED'000	*2020 AED'000*
Staff costs	**66,052**	70,311
Rent, rates and service charges	**1,885**	2,239
Repair and maintenance	**3,866**	2,939
Travelling and conveyance	**531**	165
Printing and stationery	**1,095**	1,188
Licenses and other government expenses	**1,164**	1,244
Depreciation of property and equipment	**2,937**	3,444
Depreciation of right-of-use assets	**3,591**	3,701
Amortisation	**852**	883
Marketing and advertising	**1,884**	1,498
Legal and professional fees	**13,789**	14,036
Provision and impairment of receivables	**50**	6,439
Exchange losses	**436**	117
Board remuneration	**14,200**	-
IT expenses	**3,212**	2,414
Others	**21,499**	16,904
	137,043	127,522

32. TAXATION – CURRENT

Taxation comprises of taxation of foreign operation, in view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide reconciliation between the accounting and taxable profits together with details with effective tax rates.

33. BASIC AND DILUTED EARNINGS PER SHARE

	2021	*2020*
Profit for the year attributable to shareholders (AED'000)	**40,053**	149,368
Number of shares (in thousands)	**1,188,333**	1,188,333
Basic and diluted earnings per share (AED)	**0.034**	0.126

Basic earnings per share are calculated by dividing the profit for the year by the number of weighted average shares outstanding at the end of the reporting period after taking into account the treasury shares held. Diluted earnings per share is equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

34. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2021 AED'000	*2020 AED'000*
Letters of guarantee	**15,038**	13,529

Statutory deposits of AED 14.88 million (2020: AED 13.80 million) are held as lien by the bank against the above guarantees.

34. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

In 2020, a bank (previously related party) has filed legal claim against the Group seeking to obligate the Group to pay a net sum of AED 258 million after setting off investment property amounting to AED 85 million and available for sale investments amounting to AED 54 million against the alleged loan granted to the Group amounting to AED 395 million during the year 2008. In 2021, the above claim was dismissed by the court in the first instance stage.

Upon an application filed by the bank, a Performance Order was issued by the Court against the Company for an amount of approx. AED 258 million. The Company has appealed this Performance Order, as at reporting date, Appeal court of Dubai has issued its judgement refuting the letter of demand and cancelling the legal actions taken against the Group, accordingly the above-mentioned bank accounts totaling AED 258 million was released as per court order and also following aforementioned investment property and available for sale investments to recovered at AED 85 million and AED 58 million respectively.

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants and retakaful operators in connection with policies issued. The management believes, based on independent legal counsel opinions that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the consolidated financial statements. However, a provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 31 December 2021 (2020: nil).

35. OPERATING LEASE COMMITMENTS

Company as a lessee

The future minimum lease payments for contracts under non-cancellable operating lease are as follows:

	2021 ***AED'000***	*2020* *AED'000*
Future minimum lease payments:		
Due within one year	**180**	56

36. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS

Consolidated statement of profit or loss

	For the year ended 31 December 2021				*For the year ended 31 December 2020*			
	Shareholders AED'000	***Participants AED'000***	***Non-controlling interest AED'000***	***Total AED'000***	*Shareholders AED'000*	*Participants AED'000*	*Non-controlling interest AED'000*	*Total AED'000*
Net underwriting income	**-**	**161,379**	**-**	**161,379**	-	166,594	-	166,594
Income								
Wakalah share (note 37)	**71,431**	**(71,431)**	**-**	**-**	174,862	(174,862)	-	-
Mudarib share	**19**	**(19)**	**-**	**-**	52	(52)	-	-
Net technical charges from/to shareholders to policyholders	**74,228**	**(74,228)**	**-**	**-**	55,881	(55,881)	-	-
Net underwriting income from subsidiaries	**57,927**	**(57,927)**	**-**	**-**	53,307	(53,307)	-	-
Income from investments (note 30)	**18,371**	**56**	**-**	**18,427**	116,668	160	-	116,828
Other income	**17,525**	**532**	**-**	**18,057**	18,861	497	-	19,358
	239,501	**(41,638)**	**-**	**197,863**	419,631	(116,851)	-	302,780
Expenses								
General, administrative and other expenses	**(137,043)**	**-**	**-**	**(137,043)**	(127,522)	-	-	(127,522)
Finance expenses	**(3,350)**	**-**	**-**	**(3,350)**	(3,052)	-	-	(3,052)
Commission paid and other costs	**(47,632)**	**47,632**	**-**	**-**	(43,859)	43,859	-	-
Impairment of goodwill	**-**	**-**	**-**	**-**	-	-	-	-
Net profit/(loss) before tax	**51,476**	**5,994**	**-**	**57,470**	245,198	(72,992)	-	172,206
Tax – current	**(9,297)**	**-**	**-**	**(9,297)**	(12,340)	-	-	(12,340)
Net profit/(loss) after tax	**42,179**	**5,994**	**-**	**48,173**	232,858	(72,992)	-	159,866
Gain from discontinued operations					150	-	-	150
Share of non-controlling interest	**(8,120)**	**-**	**8,120**	**-**	(7,681)	-	7,681	-
Distribution to policyholders of Group					-	(2,967)	-	(2,967)
Policyholders' loss financed by shareholders/ recovery of loss from policyholders' funds	**5,994**	**(5,994)**	**-**	**-**	(75,959)	75,959	-	-
	40,053	**-**	**8,120**	**48,173**	149,368	-	7,681	157,049

36. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

	2021 AED'000	*2020 AED'000*
Assets		
Participants' assets		
Participants' investments in unit-linked contracts	**2,396,075**	2,228,346
Contributions and takaful balance receivables	**128,449**	141,326
Retakafuls' share of outstanding claims	**197,402**	168,326
Retakafuls' share of unearned contributions	**82,889**	117,293
Investments	**16,668**	-
Other assets and receivables	**9**	20
Restricted bank balances	**258,469**	-
Cash and bank balances	**74,710**	69,027
Total participants' assets	**3,154,671**	2,724,338
Total shareholders' assets*	**1,613,373**	1,783,335
Total assets	**4,768,044**	4,507,673
Liabilities		
Participants' liabilities		
Outstanding claims and family takaful reserve	**315,543**	272,867
Payable to Participants for unit-linked contracts	**2,394,963**	2,224,849
Unearned contributions reserve	**161,482**	184,622
Takaful balances payable	**129,611**	113,364
Other payables and accruals	**153,072**	41,677
Total participants' liabilities	**3,154,671**	2,837,379
Total shareholders' liabilities*	**770,205**	760,628
Total liabilities	**3,924,876**	3,598,007
Net assets employed	**843,168**	909,666
Financed by:		
Shareholders' equity	**767,487**	835,334
Non-controlling interest	**75,681**	74,332
	843,168	909,666

* Shareholders' assets and liabilities represents affairs of the subsidiaries as shareholder funds are used for the investments thereon.

37. WAKALAH SHARE

The shareholders manage the takaful operations of the Group for the policyholders and charge 13.5% (2020: 35%) of gross written contributions and participant investment revenues of non-family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2020: 15%) of mortality costs.

38. OPERATING SEGMENT

By business

(for the year ended 31 December 2021)

	General takaful AED'000	***Family takaful AED'000***	***Total AED'000***
Gross written contributions	**687,750**	**400,327**	**1,088,077**
Net contributions earned	**363,588**	**288,378**	**651,966**
Commissions received on ceded reinsurance and retakaful	**37,446**	**1,008**	**38,454**
	401,034	**289,386**	**690,420**
Net claims incurred	**(226,651)**	**2,921**	**(223,730)**
Commissions paid and other costs	**(104,167)**	**(201,144)**	**(305,311)**
Net underwriting income	**70,216**	**91,163**	**161,379**
Investment and other income			**36,484**
Unallocated expenses and tax			**(149,690)**
Distribution to policyholders of the Group			**-**
Profit from discontinued operations			**-**
Net profit after tax			**48,173**

By business

(for the year ended 31 December 2020)

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Gross written contributions	762,080	404,942	1,167,022
Net contributions earned	379,267	327,822	707,089
Commissions received on ceded reinsurance and retakaful	31,167	6,995	38,162
	410,434	334,817	745,251
Net claims incurred	(219,775)	(28,201)	(247,976)
Commissions paid and other costs	(94,922)	(235,759)	(330,681)
Net underwriting income	95,737	70,857	166,594
Investment and other income			136,186
Unallocated expenses and tax			(142,914)
Distribution to policyholders of the Group			(2,967)
Profit from discontinued operations			150
Net profit after tax			157,049

38. OPERATING SEGMENT (continued)

By geography

(for the year ended 31 December 2021)

	Africa AED'000	***Asia AED'000***	***Total AED'000***
Gross written contributions	**293,045**	**795,032**	**1,088,077**
Net contributions earned	**196,742**	**455,224**	**651,966**
Commissions received on ceded reinsurance and retakaful	**13,938**	**24,516**	**38,454**
	210,680	**479,740**	**690,420**
Net claims incurred	**(85,992)**	**(137,738)**	**(223,730)**
Commissions paid and other costs	**(66,757)**	**(238,554)**	**(305,311)**
Net underwriting income	**57,931**	**103,448**	**161,379**
Investment and other income			**36,484**
Unallocated expenses and tax			**(149,690)**
Distribution to policyholders of the Group			**-**
Profit from discontinued operations			**-**
Net profit after tax			**48,173**

By geography

(for the year ended 31 December 2020)

	Africa AED'000	*Asia AED'000*	*Total AED'000*
Gross written contributions	292,937	874,085	1,167,022
Net contributions earned	208,673	498,416	707,089
Commissions received on ceded reinsurance and retakaful	14,030	24,132	38,162
	222,703	522,548	745,251
Net claims incurred	(105,174)	(142,802)	(247,976)
Commissions paid and other costs	(64,222)	(266,459)	(330,681)
Net underwriting income	53,307	113,287	166,594
Investment and other income			136,186
Unallocated expenses and tax			(142,914)
Distribution to policyholders of the Group			(2,967)
Profit from discontinued operations			150
Net profit after tax			157,049

38. OPERATING SEGMENT (continued)

By business

(for the year ended 31 December 2021)

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Assets			
Property and equipment	33,485	2,995	36,480
Goodwill and intangibles	115,692	2,080	117,772
Investment properties	142,055	-	142,055
Right of use assets	1,752	2,674	4,426
Investments in associates	34,447	-	34,447
Deposits	188,195	51,454	239,649
Investments	442,574	116,492	559,066
Participants' investments in unit-linked contracts	-	2,396,075	2,396,075
Deposits with takaful and retakaful companies	2,387	-	2,387
Contributions and takaful balance receivables	191,991	21,413	213,404
Retakafuls' share of outstanding claims	179,294	83,056	262,350
Retakafuls' share of unearned contributions	130,677	5,112	135,789
Other assets and receivables	62,729	193,625	256,354
Restricted bank balances	-	258,469	258,469
Bank balances and cash	63,889	45,432	109,321
	1,589,167	3,178,877	4,768,044
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve	324,096	250,854	574,950
Payable to Participants for unit-linked contracts	-	2,394,963	2,394,963
Unearned contributions reserve	266,124	61,632	327,756
Short term borrowings	7,500	17,500	25,000
Takaful balances payable	152,540	53,122	205,662
Other payables and accruals	144,264	247,642	391,906
Lease liabilities	1,857	2,782	4,639
Total liabilities	896,381	3,028,495	3,924,876
Policyholders' fund (note 24)	-	-	-
Net assets employed	688,111	150,382	843,168
Financed by:			
Shareholders' equity			767,487
Non-controlling interest			75,681
			843,168

38. OPERATING SEGMENT (continued)

By business

(For the year ended 31 December 2020)

	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Assets			
Property and equipment	36,509	3,039	39,548
Goodwill and intangibles	115,029	208	115,237
Investment properties	139,534	-	139,534
Right of use assets	4,367	3,667	8,034
Investments in associates	32,932	-	32,932
Deposits	165,912	36,916	202,828
Investments	529,941	146,655	676,596
Participants' investments in unit-linked contracts	-	2,228,346	2,228,346
Deposits with takaful and retakaful companies	2,406	-	2,406
Contributions and takaful balance receivables	197,202	10,574	207,776
Retakafuls' share of outstanding claims	130,507	84,433	214,940
Retakafuls' share of unearned contributions	169,169	2,837	172,006
Other assets and receivables	81,529	294,011	375,540
Bank balances and cash	69,988	21,962	91,950
	1,675,025	2,832,648	4,507,673
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve	296,665	261,933	558,598
Payable to Participants for unit-linked contracts	-	2,224,849	2,224,849
Unearned contributions reserve	281,185	41,855	323,040
Takaful balances payable	151,248	12,582	163,830
Other payables and accruals	127,632	191,794	319,426
Lease liabilities	4,517	3,747	8,264
Total liabilities	861,247	2,736,760	3,598,007
Policyholders' fund	-	-	-
Net assets employed	813,778	95,888	909,666
Financed by:			
Shareholders' equity			835,334
Non-controlling interest			74,332
			909,666

39. SUMMARY OF TECHNICAL PROVISIONS

	As at 31 December 2021		
	General takaful AED'000	***Family takaful AED'000***	***Total AED'000***
Gross reserves			
Reserve for outstanding claims (including IBNR)	**324,096**	**98,703**	**422,799**
Family takaful reserves	**-**	**152,151**	**152,151**
Unearned contribution	**266,124**	**61,632**	**327,756**
	590,220	**312,486**	**902,706**

	As at 31 December 2021		
	General takaful AED'000	***Family takaful AED'000***	***Total AED'000***
Net reserves			
Reserve for outstanding claims (including IBNR)	**144,803**	**15,646**	**160,449**
Family takaful reserves	**-**	**152,151**	**152,151**
Unearned contribution	**135,447**	**56,520**	**191,967**
	280,250	**224,317**	**504,567**

	As at 31 December 2020		
	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Gross reserves			
Reserve for outstanding claims (including IBNR)	296,665	96,011	392,676
Family takaful reserves	-	165,922	165,922
Unearned contribution	281,185	41,855	323,040
	577,850	303,788	881,638

	As at 31 December 2020		
	General takaful AED'000	*Family takaful AED'000*	*Total AED'000*
Net reserves			
Reserve for outstanding claims (including IBNR)	166,158	11,578	177,736
Family takaful reserves	-	165,922	165,922
Unearned contribution	112,016	39,018	151,034
	278,174	216,518	494,692

The technical reserves above include reserves of Company and its subsidiaries. Reserves that relates to UAE have been computed by a qualified independent actuary appointed by the Group, except for unearned contribution that relates to General Takaful, which has been computed using an internal model. Reserves that relates to subsidiaries have been computed with respect to applicable territorial regulatory requirements.

40. CLAIMS DEVELOPMENT

The Group maintains adequate reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Takaful claims-gross ***Underwriting year (cumulative amounts)***	***2017 AED'000***	***2018 AED'000***	***2019 AED'000***	***2020 AED'000***	***2021 AED'000***	***Total AED'000***
Development year 1	78,249	153,178	178,213	318,776	444,784	444,784
Development year 2	181,294	289,284	300,029	542,066	-	542,066
Development year 3	196,586	311,195	349,725	-	-	349,725
Development year 4	198,177	322,247	-	-	-	322,247
Development year 5	203,973	-	-	-	-	203,973
Current estimate of cumulative claims (A)	203,973	322,247	349,725	542,066	444,784	1,862,795
Cumulative payments to date (B)	(180,366)	(301,985)	(293,423)	(449,403)	(275,786)	(1,500,963)
	23,607	20,262	56,302	92,663	168,998	361,832
Liability recognised in the consolidated statement of financial position as part of gross claim Reserve in respect of years prior to 2016 part of the gross claim						60,967
Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)						422,799

Takaful claims-net ***Underwriting year (cumulative amounts)***	***2017 AED'000***	***2018 AED'000***	***2019 AED'000***	***2020 AED'000***	***2021 AED'000***	***Total AED'000***
Development year 1	38,577	69,703	83,810	146,491	178,574	178,574
Development year 2	81,228	130,661	128,165	246,279		246,279
Development year 3	87,352	134,192	142,828	-		142,828
Development year 4	88,474	139,803	-	-		139,803
Development year 5	90,360	-	-	-		90,360
Current estimate of cumulative claims **(A)**	90,360	139,802	142,828	246,279	178,574	797,844
Cumulative payments to date **(B)**	(73,454)	(125,777)	(121,579)	(212,472)	(120,552)	(653,834)
	16,906	14,025	21,249	33,807	58,022	144,009
Liability recognised in the consolidated statement of financial position as part of net claim Reserve in respect of years prior to 2016 part of the net claim						**16,440**
Total reserve included in the consolidated statement of financial position as part of the net claim (excluding family takaful reserve)						160,449

40. CLAIMS DEVELOPMENT (continued)

Sensitivities

The general takaful claims provision is sensitive to the key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net income.

31 December 2021

		Impact on gross liabilities* AED'000	***Impact on net profit AED'000***
Current claims	**+10%**	**+57,495**	**+31,260**
	-10%	**-57,495**	**-31,260**

31 December 2020

		Impact on gross liabilities AED'000*	*Impact on net profit AED'000*
Current claims	+10%	+55,860	+34,366
	-10%	-55,860	-34,366

41. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

31 December 2021	***FVTPL AED'000***	***Available for-sale investments AED'000***	***Amortised cost AED'000***	***Total carrying amount AED'000***
Financial assets				
Investments	**59,534**	**63,495**	**436,037**	**559,066**
Deposits	**-**	**-**	**239,649**	**239,649**
Participants' investments in unit-linked contracts	**2,396,075**	**-**	**-**	**2,396,075**
Deposits with takaful and retakaful companies	**-**	**-**	**2,387**	**2,387**
Contributions and takaful balance receivables	**-**	**-**	**208,729**	**208,729**
Other assets and receivables	**-**	**-**	**59,654**	**59,654**
Bank balances and cash	**-**	**-**	**109,321**	**109,321**
	2,455,609	**63,495**	**1,055,777**	**3,574,881**
Financial liabilities				
Payable to participants for unit-linked contracts	**2,394,963**	**-**	**-**	**2,394,963**
Takaful balances payable	**-**	**-**	**205,662**	**205,662**
Other payables	**-**	**-**	**350,779**	**350,779**
Lease liabilities	**-**	**-**	**4,639**	**4,639**
	2,394,963	**-**	**561,080**	**2,956,043**

41. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

31 December 2020	*FVTPL AED'000*	*Available for-sale investments AED'000*	*Amortised cost AED'000*	*Total carrying amount AED'000*
Financial assets				
Investments	95,612	63,213	517,771	676,596
Deposits	-	-	202,828	202,828
Participants' investments in unit-linked contracts	2,228,346	-	-	2,228,346
Deposits with takaful and retakaful companies	-	-	2,406	2,406
Contributions and takaful balance receivables	-	-	213,404	213,404
Other assets and receivables	-	-	79,638	79,638
Bank balances and cash	-	-	91,950	91,950
	2,323,958	63,213	1,060,452	3,579,556
Financial liabilities				
Payable to participants for unit-linked contracts	2,224,849	-	-	2,224,849
Takaful balances payable	-	-	163,830	163,830
Other payables	-	-	279,572	279,572
Lease liabilities	-	-	8,264	8,264
	2,224,849	-	451,666	2,676,515

42. FAIR VALUE OF FINANCIAL INSTRUMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

42. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

Fair value hierarchy of assets and liabilities measured at fair value
The following table analyses assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

As at 31 December 2021

	Level 1 AED'000	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Financial assets				
Financial asset at fair value through profit or loss				
Participants' investments in unit-linked contracts	**-**	**2,396,075**	**-**	**2,396,075**
Shares and securities	**59,534**	**-**	**-**	**59,534**
	59,534	**2,396,075**	**-**	**2,455,609**
Available for sale				
Mutual fund	**-**	**62,561**	**-**	**62,561**
Shares and securities	**392**	**542**	**-**	**934**
	392	**63,103**	**-**	**63,495**
Non-financial assets				
Investment properties	**-**	**-**	**142,055**	**142,055**
Financial liabilities				
Payable to Participants for unit-linked contracts	**-**	**2,394,963**	**-**	**2,394,963**

As at 31 December 2020

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Financial asset at fair value through profit or loss				
Participants' investments in unit-linked contracts	-	2,228,346	-	2,228,346
Shares and securities	95,612	-	-	95,612
	95,612	2,228,346	-	2,323,958
Available for sale				
Mutual fund	-	62,426	-	62,426
Shares and securities	412	375	-	787
	412	62,801	-	63,213
Non-financial assets				
Investment properties	-	-	139,534	139,534
Financial liabilities				
Payable to Participants for unit-linked contracts	-	2,224,849	-	2,222,849

42. FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	2021 AED'000	*2020 AED'000*
Balance at 1 January	**139,534**	144,451
Purchases	**-**	-
Currency translation differences	**(1,699)**	(1,436)
Fair value movement	**4,220**	(3,481)
Balance at 31 December	**142,055**	139,534

43. RISK MANAGEMENT

The Group issues contracts that transfer either insurance risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risk. This section summarises these risks and the way the Group manages them.

a) Introduction and overview

Governance framework
The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group is in the phase of establishing a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees.

Capital management framework
The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Regulatory framework
Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

Asset liability management (ALM) framework
Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is the equity price risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful and investment contracts.

The Group's ALM framework is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful and investment liabilities.

The Group's ALM framework also forms an integral part of the takaful risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful and investment contracts.

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of risk management includes takaful risk and financial risk

43. RISK MANAGEMENT (continued)

b) Takaful risk

Takaful risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. As per the practices adopted by the Group, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The Group underwrites property, engineering, motor, miscellaneous accident, marines and personal accident classes. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span. This helps to mitigate takaful risk.

Property
For property takaful contracts, the main perils are fire damage and other allied perils and business interruption resulting there from.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of takaful are the main factors that influence the level of claims.

Engineering
For engineering takaful contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plants, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor
For motor takaful contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for death and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous accident
For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten.

The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine
In marine takaful the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Family takaful contracts
Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Health selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

43. RISK MANAGEMENT (continued)

b) Takaful risk (continued)

Retakaful risk
In line with other takaful and retakaful companies, in order to minimise net loss exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurers' insolvencies, the Group 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.

Assets, liabilities, income and expense arising from ceded retakaful contracts are presented separately from assets, liabilities, income and expense from the related takaful contract because the retakaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the retakaful fails to meet the obligations under the retakaful agreements.

Concentration of takaful risk
The Group has certain single takaful contracts which it considers as risks of high severity but very low frequency. The Group cedes substantial part of these risks and its net retention on any one single event is limited to AED 1 million (2020: AED 1 million).

Terms and conditions of takaful contracts
Takaful is based on uncertainty of event. As such the terms and conditions of takaful contracts varies but are normally based on the international guidance and policy wordings as followed by all takaful companies in the market.

Normally a takaful contract contains the coverage of the subject of takaful, the exclusions and obligations of the insured and the insurers. Deviations are reported forthwith to the insurer by the insured and any accident event to be reported immediately. Long tail business is generally that where the time period to ultimately finalise and settle claims could take a number of years.

The Group's estimates for reported and unreported losses and establishing resulting provisions and related retakaful recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in the consolidated statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future claims.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practises for the General Takaful and Individual Family Takaful Portfolio involve the use of actuarial analysis from an independent actuary.

c) Financial risks

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

43. RISK MANAGEMENT (continued)

c) Financial risks (continued)

i) Credit risk (continued)

For all classes of financial assets held by the Group, other than those relating to retakaful contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the consolidated financial position date.

Retakaful is placed with reinsures and retakaful companies approved by the management, which are generally international companies that are rated by international rating agencies or other GCC companies.

To minimise its exposure to significant losses from reinsurer and retakaful insolvencies, the Group evaluates the financial condition of its reinsures and retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures and retakaful companies.

At each reporting date, management performs an assessment of creditworthiness of reinsures and retakaful companies updates the retakaful purchase strategy, ascertaining suitable allowance for impairment if required.

The Group monitors concentrations of credit risk by sector and by geographic location.

Credit risk is controlled through terms of trade for receipt of contributions. Most of the counterparties are takaful companies that are generally not rated. However, they are selected on their standing in the market, rating, relationship experience and length of association. All retakaful counterparties are rated.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as disclosed in Note 39.

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notices were to be given immediately.

31 December 2021	*Less than 180 days AED'000*	*180 days to 1 year AED'000*	*1-5 year AED'000*	*Over 5 year AED'000*	*No stated maturity AED'000*	*Total AED'000*
Financial assets						
Investments	**168,437**	**256,181**	**107,586**	**26,862**	**-**	**559,066**
Deposits	**77,027**	**49,737**	**102,885**	**10,000**	**-**	**239,649**
Participants' investments in unit-linked contracts	**-**	**-**	**-**	**-**	**2,396,075**	**2,396,075**
Deposits with takaful and retakaful companies	**-**	**2,387**	**-**	**-**	**-**	**2,387**
Contributions and takaful balance receivables	**134,220**	**35,981**	**43,203**	**-**	**-**	**213,404**
Other assets and receivables	**17,300**	**42,354**	**-**	**-**	**-**	**59,654**
Bank balances and cash	**109,321**	**-**	**-**	**-**	**-**	**109,321**
	506,305	**386,640**	**253,674**	**36,862**	**2,396,075**	**3,579,556**

43. RISK MANAGEMENT (continued)

c) Financial risks (continued)

ii) Liquidity risk (continued)

31 December 2021	***Less than 180 days AED'000***	***180 days to 1 year AED'000***	***1-5 year AED'000***	***Over 5 year AED'000***	***No stated maturity AED'000***	***Total AED'000***
Financial liabilities						
Payable to participants for unit-linked contracts	**-**	**-**	**-**	**-**	**2,394,963**	**2,394,963**
Takaful balances payable	**75,027**	**120,802**	**9,833**	**-**	**-**	**205,662**
Other payables and accruals	**107,008**	**168,032**	**75,739**	**-**	**-**	**350,779**
Lease liabilities	**2,420**		**2,219**			**4,639**
	184,455	**288,834**	**87,791**	**-**	**2,394,963**	**2,956,043**

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2020	*Less than 180 days AED'000*	*180 days to 1 year AED'000*	*1-5 year AED'000*	*Over 5 year AED'000*	*No stated maturity AED'000*	*Total AED'000*
Financial assets						
Investments	243,988	50,529	372,524	9,555	-	676,596
Deposits	63,620	42,877	86,331	10,000	-	202,828
Participants' investments in unit-linked contracts	-	-	-	-	2,228,346	2,228,346
Deposits with takaful and retakaful companies	-	2,406	-	-	-	2,406
Contributions and takaful balance receivables	105,505	91,562	10,709	-	-	207,776
Other assets and receivables	26,258	53,380	-	-	-	79,638
Bank balances and cash	91,950	-	-	-	-	91,950
	531,321	240,754	469,564	19,555	2,228,346	3,489,540
Financial liabilities						
Payable to participants for unit-linked contracts	-	-	-	-	2,224,849	2,224,849
Takaful balances payable	71,448	18,477	73,905	-	-	163,830
Other payables and accruals	32,640	117,432	129,500	-	-	279,572
Lease liabilities	3,791	-	4,473	-	-	8,264
	107,879	135,909	207,878	-	2,224,849	2,676,515

The Group's exposure to profit rate risk relates to its deposits. On 31 December 2021, deposits carried profit at the range of 0.18% to 0.58% per annum (2020: 0.4% to 0.9% per annum).

If profit rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2021 and equity as at 31 December 2021 would increase/decrease by approximately AED 2.18 million (2020: AED 2.93 million). The Group's sensitivity to profit rates has not changed significantly from the prior year.

43. RISK MANAGEMENT (continued)

c) Financial risks (continued)

iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and sukuk markets. In addition, the Group actively monitors the key factors that affect stock and sukuk market movements, including analysis of the operational and financial performance of investees.

a. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham.

The significant financial assets and liabilities exposed to currency risk in equivalent thousand of Dirham are as under:

31 December 2021	***Financial assets AED'000***	***Financial liabilities AED'000***	***Net AED'000***
Currency			
USD	**502,358**	**(74,982)**	**427,373**
EGP	**378,438**	**(180,551)**	**197,887**
CFA	**122**	**(623)**	**(501)**
DZD	**263,551**	**(107,321)**	**156,230**
Others	**117,762**	**-**	**117,762**

31 December 2020	*Financial assets AED'000*	*Financial liabilities AED'000*	*Net AED'000*
Currency			
USD	504,816	(68,200)	436,616
EGP	311,269	(126,224)	185,045
CFA	130	(856)	(726)
DZD	267,021	(141,853)	125,168
Others	134,191	-	134,191

Sensitivities
The analysis below is performed for reasonably possible movements in foreign exchange rate with all other assumptions held constant showing the impact on net profit or equity. The sensitivities carried out for subsidiaries only as the impact of currency risk on the Group's own assets and liabilities is considered insignificant.

31 December 2021	***Change in exchange rates***	***Profit or loss AED'000***	***Other comprehensive income AED'000***
Financial assets	**+5%**	**-**	**+63,112**
	-5%	**-**	**-63,112**
Financial liabilities	**+5%**	**-**	**+18,174**
	-5%	**-**	**-18,174**

31 December 2020	*Change in exchange rates*	*Profit or loss AED'000*	*Other comprehensive income AED'000*
Financial assets	+5%	-	+60,871
	-5%	-	-60,871
Financial liabilities	+5%	-	+16,857
	-5%	-	-16,857

43. RISK MANAGEMENT (continued)

c) Financial risks (continued)

(b) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

Sensitivities
The analysis below is performed for reasonably possible movements in equity prices with all other assumptions held constant showing the impact on net profit or equity.

31 December 2021	***Change in equity prices***	***Profit or loss AED'000***	***Other comprehensive income AED'000***
	+10%	**+5,953**	**+6,350**
	-10%	**-5,953**	**-6,350**

31 December 2020	*Change in equity prices*	*Profit or loss AED'000*	*Other comprehensive income AED'000*
	+10%	+9,561	+6,321
	-10%	-9,561	-6,321

Coronavirus (COVID-19) outbreak and its impact on the Group
With the rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Certain countries including the United Arab Emirates (UAE) have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

Management has considered the unique circumstances and the risk exposures of the Group that could have a material impact on the business operations and has concluded that the main impacts on the Group's profitability/liquidity position may arise from:

- recoverability of contribution and takaful balances receivable,
- unavailability of personnel,
- reduction in gross contribution due to non-renewal of policies,
- provision for outstanding claims and claims incurred but not reported,
- fair value measurement of financial instruments and investment properties held by the Group.

Based on the above consideration, management has concluded that there is no significant impact on the Group's profitability position as at reporting date. The Group has implemented business continuity plan that includes all the procedures and protocols during these current situations. Remote working plans were initiated, and measures were taken to ensure uninterrupted business.

Further, the Group has performed stress testing as required by the Insurance Authority of UAE approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. Accordingly, these financial statements have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

44. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In UAE, the local takaful regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Group is subject to local takaful solvency regulations with which it has complied during the year.

The below summaries the minimum regulatory capital of the Group and the total held.

	2021 AED'000	*2020 AED'000*
Minimum regulatory capital	**100,000**	100,000
Total shareholders' equity	**767,487**	835,334

The UAE Insurance Authority has issued a Resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing takaful companies and AED 250 million for re-insurance companies. The resolution also stipulates that at least 75 percent of the capital of the takaful companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Group is in compliance with these requirements.

45. FEES AND PENALTIES

During the year ended 31 December 2021, Group has paid fees and penalties amounting to AED 22,503 (2020: AED 87,520).

46. DIVIDEND

At the general assembly meeting held on 14 October 2020, the Shareholders approved an interim cash dividend of 3 fils per share amounting to AED 35.65 million for the year 2020.

At the annual general meeting held on 18 April 2021, the Shareholders approved a cash dividend of 8.25 fils per share. Dividend for ordinary shares is amounting to AED 98.04 million for 2020 (2020: AED 35.65 million for 2019).

47. CAPITAL RISK MANAGEMENT

The solvency regulations identify the required Solvency Margin to be held on consolidated basis in addition to insurance liabilities.

The Solvency Margin (presented in the table below on consolidated basis) must be maintained at all times throughout the year/period. The Company is subject to solvency regulations which it has complied with during the period. The Company has incorporated in its policies and procedures the necessary procedures to ensure continuous and full compliance with such regulations.

47. CAPITAL RISK MANAGEMENT (continued)

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held at the Company level to meet the required Solvency Margins in line with the requirements of the UAE Insurance Authority.

	30 September 2021 AED'000	*31 December 2020 AED'000*
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**295,225**	275,786
Minimum Guarantee Fund (MGF)	**121,347**	115,063
Basic Own Funds	**(80,299)**	289,313
MCR Solvency Margin (deficit)/surplus	**(180,299)**	189,313
SCR Solvency Margin (deficit)/surplus	**(375,524)**	13,527
MGF Solvency Margin (deficit)/surplus	**(201,646)**	174,250

Solvency will increase by AED 258 million, as restricted cash at bank was released as per court orders, subsequent to the year ended 2021.

48. SUBSEQUENT EVENTS

In 2020, a bank (previously related party) has filed legal claim against the Group seeking to obligate the Group to pay a net sum of AED 258 million after setting off investment property amounting to AED 85 million and available for sale investments amounting to AED 54 million against the alleged loan granted to the Group amounting to AED 395 million during the year 2008. In 2021, the above claim was dismissed by the court in the first instance stage.

Upon an application filed by the bank, a Performance Order was issued by the Court against the Company for an amount of approx. AED 258 million. The Company has appealed this Performance Order, as at reporting date, Appeal court of Dubai has issued its judgement refuting the letter of demand and cancelling the legal actions taken against the Group, accordingly the above-mentioned bank accounts totaling AED 258 million is released as per court order and also following aforementioned investment property and available for sale investments to recovered respectively.

Fair value of the Group's investment in shares amounting to AED 49.9 million (2020: AED 72.7 million) pertaining to Salama Cooperative Insurance Company is impacted due to accumulated losses crossing over and above the prescribed regulatory limits in KSA. As per recommendation by the Board of Directors of Salama Cooperative Insurance Company, the company is expected to reduce their 60% of capital, subject to approval of regulators and extra ordinary general assembly meeting.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 29 March 2022.

سلامة
SALAMA

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SECURING OUR FUTURE. together.

CORPORATE GOVERNANCE REPORT 2021

Corporate Governance Report
SALAMA - Islamic Arab Insurance Company
For the fiscal year ended on 31/12/2021

1- Statement of procedures taken to complete the corporate governance system, during 2021, and method of implementing thereof.

The Board of Directors of Islamic Arab Insurance (P.S.C) – SALAMA believes that the proper application of Corporate Governance helps to achieve institutional discipline in the management of the Company in accordance with the international standards. It establishes the responsibilities and duties of the Board of Directors and the Executive Management of the Company, while protecting the rights of shareholders and other stakeholders, this contributes to achieve high and sustainable growth rates. The Board has the responsibility to implement the Corporate Governance framework on the organization level. These principles include the provision of an effective control environment, development of an effective internal control system with active participation by the Non-Executive Members, formation of an Audit Committee, granting the Internal Control Department full necessary independence and powers, abstention from transactions which are flawed by conflict of interest, and introduction of the code of professional conduct.

The Board endeavors to ensure regulatory compliance with the instructions and regulations issued by the various regulatory authorities, ensuring the adequacy and effectiveness of the Internal Audit & Corporate Governance compliance program, approve the investments, business plan budgets, and financial statements of the company, ensuring adequacy of the human resources required to implement the Company's strategies, ensure that the shareholders receive accurate and proper information at the right time, and ensuring adherence to the standards of disclosure and transparency. SALAMA is fully committed to have a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE and consistent with securities and commodities authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning approval of Joint Stock Companies Governance Guide, other relevant resolutions issued from time to time by the competent authorities and the international best practices

2- Statement of ownership and transactions of Board of Directors (Board) members and their spouses, their children in the company securities during 2021, according to the following schedule:

S. No.	Name	Position / Kinship	Owned shares as on 31/12/2021	Total sale	Total purchase
1.	**Mr. Jassim Mohamed Rafie Alseddiqi Alansaari**	**Chairman** Election Date: 10/06/2019	No shares registered under his name, or the name of his wife or children	4,000,000	Not Applicable
2.	**Mr. Saeed Mubarak Rashed Saeed Al-hajeri**	**Vice Chairman** Election Date: 10/06/2019	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
3.	**Mr. Mustafa Ghazi Kheriba**	**Member** from: 23/12/2018 to 11/03/2021	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
4.	**Mr. Fraih Saeed Al Qubaisi**	**Member** Election Date: 23/12/2018	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
5.	**Mr. Mohamad Husain Mohamed Shareef Alkhoori**	**Member** Election Date: 23/04/2019	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
6.	**Mr. Saeed Bin Mohammad alqassimi**	**Member** Election Date: 02/09/2019	7,346,335	Not Applicable	7,346,335
7.	**Mr. Ahmad Mohammad al Sadah**	**Member** Election Date: 02/09/2019	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable
8.	**Mr. Mohamad Ahmad Mohamad Bin Abdulaziz Al Shehhi**	**Member** Election Date: 21/03/2021	No shares registered under his name, or the name of his wife or children	Not Applicable	Not Applicable

3- **Board Formation**:

A. Statement of the current Board formation (along with the names of both the resigned and appointed Board members) according to the following schedule:

S. No.	Name	Category (executive/ non-executive and independent)	Expertise	Qualifications	The period he spent as a Board member from the date of his first election	Their membership and positions at any other joint- stock companies	Their positions in any other important regulatory, government or commercial positions.
1.	**Mr. Jassim Mohamed Rafie Alseddiqi Alansaari**	Non-executive Member and Non-independent	- Lecturer at Abu Dhabi-based Petroleum Institute. Mr. Alseddiqi is known for his dynamic and innovative approach, have pioneered investment strategies in the region.	- BSc in Electrical Engineering from the University of Wisconsin-Madison - MSc in Electrical Engineering from Connell University, USA	2 year and 7 Months: since 10/06/2019	- Chairman of Eshraq Investments PJSC. - Chief Executive Officer of Shuaa Capital PJSC. - Chairman of GFH Financial Group BSC. - Chairman of Khaleeji Commercial Bank BJC. -	Not Applicable

						- Board Member at Dana Gas PJSC (UAE). - Chairman of The Entertainer	
2.	**Mr. Saeed Mubarak Rashed Saeed Alhajeri**	Non-executive Member and independent	- International finance	- Bachelor of Business Administration from Lewis & Clark College, USA - Certified Financial Analyst (CFA). - Attended the Executive Education Program at Harvard Business college - He was elected by The World Economic Forum in 2007 as one of the top 250 global leaders for its contribution to the public and financial sectors in the United States and the	2 year and 7 Months: since 10/06/2019	- Vice Chairman of Abu Dhabi National Energy Company- TAQA. - Member of the Executive Advisory Board of the University Barra MSCI INSEAD Abu Dhabi	Executive Director Abu Dhabi Investment Authority (ADIA)

				United Arab Emirates			
3.	**Mr. Mohamad Husain Mohamed Shareef Alkhoori**	Non-executive Member and independent	- Deputy Director of the Department of Transportation Security - Head of Strategic Planning - Director of the Administrative and Legal Affairs Branch, General Directorate of Police Operations - Director of the Branch of Fraud and Fraud Crimes (Officer of investigation, follow-up, and Execution of the city's police center) - Directorate of The Capital Police - General Directorate of Police Operations - Chairman of the Sports Committee in the criminal security sector from 2009 to the present - Honorary member of Al Ain Sports Club - Member of the Sports Talent Support Fund	- Bachelor of Legal Science and Police College of the UAE Graduating Year 1999 - Master of Strategic Planning, University of Hartford shire, UK Graduation Year 2010	2 year and 8 months: since 23/4/2019	- Board member of Bani Yass Sports Club - Secretary-General of Al-Faraj Fund Management - Vice Chairman of the Board of Directors Friends of the Environment	- Deputy Director of the Metropolitan Police Directorate (May 2019 - Current)

			of the General Sports Authority. - Member of the Local Organizing Committee for the Asian Cup 2019 - Chairman of the Care and Marketing Committee for the Activities of the General Headquarters of Abu Dhabi Police.				
4.	**Mr. Mustafa Ghazi Kheriba**	Non-executive Member and Non-independent	- COO of Abu Dhabi Financial Group (ADFG) and the Executive Director of Abu Dhabi Capital Management (ADCM), in charge of managing the investments of the Group. Mr. Kheriba oversees managing the daily operations and the business development and monitoring in ADFG and its affiliates. He supervises the conclusion of deals and finance activities. He directly manages the key investments	- BA in Business Administration from Toronto University. - Master's in business administration from Ohio Dominican University with honors.	2 year and 3 moths: Since 23/12/2018 to 11/03/2021	- Vice Chairman of Gulf Finance Corporation PJSC - UAE - Board member at Reem Finance PJSC - UAE - Board member at Khaleeji Commercial Bank BSC - Bahrain - Board member at GFH Financial Group BSC - Bahrain - Chairman of TARIIC HOLDING CO. B.S.C. - Bahrain - Board member at Gulf Finance	Not Applicable

			of the Group. In addition to the duties, he holds the position of Executive Director of Integrated Alternative Finance, Spadille Ltd, Northcare, Reem Finance, and Integrated Securities. All in addition to his position as Non-Executive Director in Qannas Investment (QIL). He is also a Board Member and Managing Director of Gulf Finance in the UAE and KSA.			Corporation PJSC - KSA - Chairman of SALAMA ASSURANCE ALGERIA – Algeria - Chairman of Egyptian Saudi Insurance House (ESIH) Egypt - Chairman of MISR EMIRATES TAKAFUL LIFE INSURANCE CO. (METLICO) Egypt	
5.	**Mr. Fraih Saeed Al Qubaisi**	Non-executive Member and independent	- Mr. Al Qubaisi has professional achievements which contributed to the service of the nation throughout his career in the government sector for over 20 years. - Mr. Al Qubaisi has distinguished administrative expertise in the field of corporate	- BA in Police Sciences and Law from the Police College in Abu Dhabi.	3 years: Since 23/12/2018	- Member of the Board of Directors of Eshraq Investments PJSC (UAE) - Member of the Board of Gulf Finance Corporation PJSC.	Not Applicable

			management in several sectors, including the real estate development sector, the finance and business sector and the technological sector. Mr. Al Qubaisi assumed many positions and duties in the private business sector, on top of which: - Mr. Al Qubaisi is always eager to support the youth who desire and hope to realize their dreams to enter the field of trading and gathering expertise by adopting, training and qualifying many national figures in a calculated manner so that they become one of the richest sources of economy for the country.				
6.	**Mr. Saeed Bin Mohammad Alqassimi**	Non-executive Member and independent	- Vice president, MBS investments - Chairman, GHAF investments.	- Bachelor of Science and Administration with minor Philosophy,	1 year and 4 months Since 02/09/2020	- Not Applicable	Not Applicable

			- Easy lease motorcycle rental co-founder - GHAF investments Chairman & CEO - Uplift delivery services co-founder - Society motors co-founder. - Board member, UAE Shooting Federation. - BLG Motors, partner - Public Motors, partner.	Suffolk University, Boston, Massachusetts, USA. - Master of Science Administrative Studies Multinational Commerce, Boston University, Boston, Massachusetts, USA			
7.	**Mr. Ahmad Mohammad al Sadah**	Non-executive Member and independent	- Managing Director Al Sadah Properties - Co-Founder and CEO: Easy Lease Motorcycle rental - Co-Founder and CEO: Uplift Delivery services - Co-Founder: Society Motors - Co-Found-: Plug Motors - Co-Founder: Public Motors	- Bachelor of Multimedia Studies & Diploma in Business from Central Queensland University	1 year 4 months Since 02/09/2020	Not Applicable	Not Applicable
8.	**H.E. Mohammed Ahmad Mohammed Bin**	Non-executive Member and independent	- Member of board of directors – Al Masane Al Kobra Mining company	- Executive Master's degree (EMBA) from	6 Months from 21/03/2021	Not Applicable	Not Applicable

	Abdulaziz AlShehhi.		(AMAK) Saudi Arabia - Chairman of the Board of directors – Arab Mining Company – Fujairah, UAE - Chairman of the Board of Directors- Arab Mining Company – Jordan - Member of the board of Directors – emirates petroleum corporation (EMARAT) - From 1990 to 2006 senior executive roles at emirates telecommunications corporation (Etisalat) - From November 2006 to December 31, 2020, university of economic affairs, Ministry of economy, UAE	the American university of Sharjah, UAE, in 2002 - Bachelor's degree in electrical engineering from the university of south Florida, Tampa, Florida, United states, in 1990.			

B. Statement of the percentage of female representation in the Board for 2021:

No representation of women on the Board of Directors for 2021.

C. **Statement of the reasons for the absence of any female candidate for the Board membership:**
No female candidates have applied for this position when the nomination for the Board of Directors was opened in 2020.

D. **Statement of the following:**

1. **The total remunerations paid to the Board members for 2020**:
In 2021, SALAMA's shareholders approved a total remuneration of AED: 14,200,000 which was paid to the members of the Bord of Directors for 2020.

2. **The total remunerations of the Board members, which are proposed for 2021, and will be presented in the annual general assembly meeting for approval**:
Not yet defined and will be discussed at the next annual general assembly meeting.

3. **Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2021 fiscal year:**
In 2021, no allowances were paid to the Board members, for attending sessions of the committees emanating from the Board

4. **Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees and their reasons:**

In 2021, no allowances, salaries or additional fees were paid to the Board members.

E. **Number of the Board meetings held during 2021 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy:**

S. No.	Date of meeting	Number of attendees	Number of attendees by proxy	Names of absent members
1.	11-02-2021	6	None	Mr. Mustafa Ghazi Kheriba

2.	11-03-2021	6	None	Mr. Mustafa Ghazi Kheriba (resigned)
3.	10-05-2021	7	None	None
4.	05-09-2021	7	None	None
5.	14-11-2021	7	None	None

F. Number of the Board resolutions held during the 2021 fiscal year, along with its indication of the dates of issuance:

S. No.	The number of board decisions issued by circulation	Date of the decision
1.	First decision	21/03/2021
2.	The second decision	14/04/2021
3.	The third decision	11/08/2021.

G. Statement of Board duties and powers exercised by Board members or the executive management members during 2021 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:

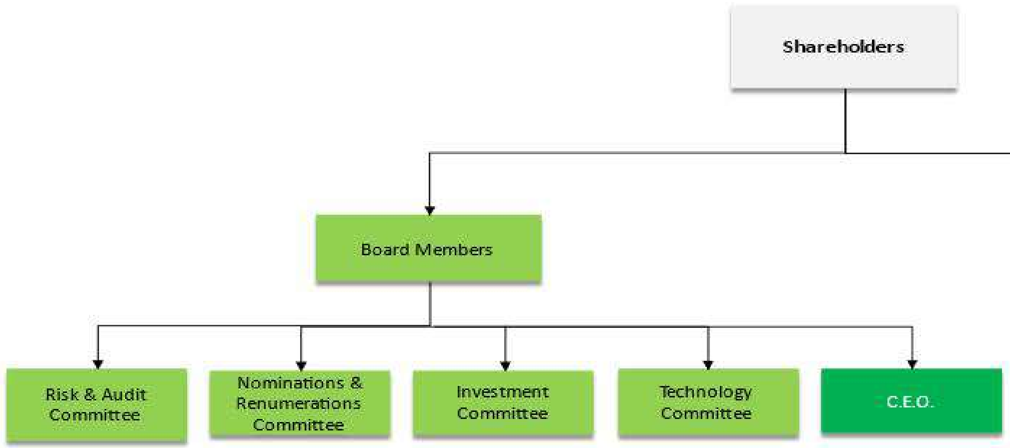
S. No	The name of the authorized person	Power of authorization	Duration of authorization
1.	**Mr. Fahim AlShehhi – CEO**	Power of Attorney by the Board, which enable him to sign documents relating to the businesses of the Company; to conclude contracts of all types; to take all legal actions on behalf of the Company, including litigation, filing reports and receipts; arbitration procedures and settlement, the authorization of legal experts, attorneys, and advisors; and the right to authorize others to practice some or all the given powers	**3 Years**

H. **Statement of the details of transactions made with the related parties (Stakeholders) during 2021, if it shall include Statement of related parties, clarifying the nature of relationship, Type of transaction, Value of transaction the year for each of those parties:**

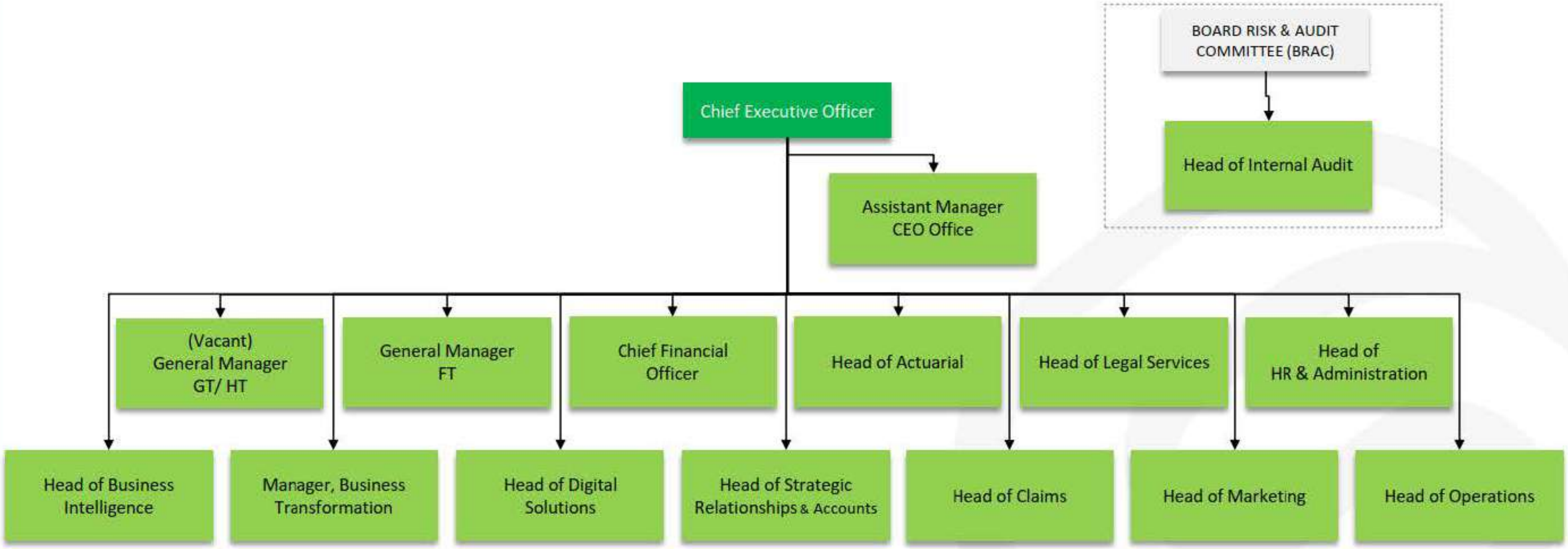
Ser.	Statement of related parties	Clarifying the nature of relationship	Type of transaction	Value of transaction
1.	FRS SPV Limited	Common Director	Software setup and support for motor.	500,000
2	Alef Education Consultancy LLC	Common Directors	Claims Paid	2,685,207
3	Algorythma - Sole Proprietorship L.L.C	Common Directors	Claims Paid	1,959,391
4	Shuaa Capital PSC	Common Directors	Claims Paid	898,201
5	Abu Dhabi Financial Group L.L.C.	Common Directors	Claims Paid	675,897
6	Reem Finance PJSC	Common Directors	Claims Paid	486,897
7	Shuaa Securities L.L.C	Common Directors	Claims Paid	443,398
8	Gulf Finance Corporation	Common Directors	Claims Paid	423,625
9	Krypto Labs Limited	Common Directors	Claims Paid	198,817
10	A D F G Technologies - under ALGORYTHMA - SOLE PROPRIETORSHIP L.L.C	Common Directors	Claims Paid	150,237
11	Adcorp LTD	Common Directors	Claims Paid	90,033
12	ADCM Altus Investment Management Limited	Common Directors	Claims Paid	70,028

13	A D F G Technologies - under ALEF EDUCATION CONSULTANCY L.L.C.	Common Directors	Claims Paid	49,001
14	A D F G Technologies - under ABU DHABI FINANCIAL GROUP L.L.C	Common Directors	Claims Paid	32,619
15	Maisonette Holding Abu Dhabi	Common Directors	Claims Paid	31,212
16	Integrated Alternative Finance Limited	Common Directors	Claims Paid	8,919
17	Alef Education Consultancy LLC	Common Directors	GWC	74,012
18	Gulf Finance Corporation	Common Directors	GWC	(656)
19	Shuaa Capital PSC	Common Directors	GWC	1,800,898
20	Shuaa Securities L.L.C	Common Directors	GWC	5,117
21	Shuaa Capital PSC	Common Directors	Cash at Bank	300,663
22	Shuaa Capital PSC	Common Directors	Investments held-to-maturity Wakalah certificates	54,094,000
23	Shuaa Capital PSC	Common Directors	Participants' investments in unit-linked contracts	369,494,151
24	2 XL Furniture	Common Directors	Purchase of Furniture	262,400
25	Mega Mall Branch Sharjah	Common Directors	Branch Rent	115,000

I. **The complete organizational structure of the company, which shall clarify managing director, the general manager and / or CEO, the deputy general manager and the managers working in the company such as the financial manager.**



Direct Reports - CEO



J. A detailed statement of the senior executives in the first and second grade according to the company organizational structure (according to 3-I), their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them, according to the following schedule

S. No.	Position	Date of Appointment	Total of the Salaries and Allowances paid for 2021 (in AED)	Total of Bonuses paid for 2021 (in AED)	Any other bonuses in cash/in-kind for 2021 or due in the future
1	Chief Executive Officer	13-Jan-2021	1,860,000.00	Not decided	Not decided
2	General Manager –General & Health Takaful	08/05/2016 to 29/11/2021	777,216	Not decided	Not decided
3	Head of Business Intelligence	16-Feb-2021	510,321.00	Not decided	Not decided
4	General Manager - Family Takaful	23-Nov-2011	879,264.00	Not decided	Not decided
5	General Counsel	19 July 2020 to 09 December 2021	792,912	Not decided	Not decided
6	Head of Human Resources & Administration	01-Feb-2017	615,168.00	Not decided	Not decided
7	Head of Internal Audit	10-Jan-2021	670,871.00	Not decided	Not decided
8	Head of Operation - Family Takaful	20-Sep-2020	489,280.00	Not decided	Not decided
9	Chief Financial Officer	26-Apr-2020	770,057.00	Not decided	Not decided
10	Manager, Business Transformation	14-Mar-2021	303,804.00	Not decided	Not decided
11	Head of Digital Solutions	14-Mar-2021	309,256.00	Not decided	Not decided

4. The External Auditor:

a. **A summary on the Company's Accounts Auditor for the shareholders:**

EY is one of the largest professional services networks in the world. It primarily provides assurance (which includes financial audit), tax, consulting and advisory services to its clients. has 312,250 employees in over 700 offices in more than 150 countries.

b. **Statement of fees and costs for the audit or services provided by the external auditor, according to the following schedule:**

Name of the Auditing Office and the name of the partner auditor	Ernst Young Mr. Walid J Nakfour
Number of years he served as the company external auditor	Ernst Young was appointed for the year 2021. This is their first year.
Total audit fees for 2021 in (AED)	AED 1 million
Fees and costs of other private services other than auditing the financial statements for 2021 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	**There is no other payment apart from audit fee during the year 2021.**
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.	As EY our external auditor and apart of financial audit we have not hired them for any other services.
Statement of other services that an external auditor other than the company accounts auditor provided during 2021 (if any). In the absence of another external auditor, this matter is explicitly stated.	As EY our external auditor and apart of financial audit we have not hired them for any other services.

c. **Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for 2021 and in case of the absence of any reservations, this matter must be mentioned explicitly.**

These qualifications pertain to the lack of confirmation of investments and receivables from the counter parties involved.

5. The Audit committee:

a. **The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.**

- Mr. Ahmad al Sadah, Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. **Names of the Audit Committee members and clarifying their competences and tasks assigned to them:**

No	Name of the Member	Designation
1	Mr. Ahmad al Sadah	Chairman
2	Mr. Fraih Al Qubaisi	Member
3	Mr. Mohamad Alkhoori	Member

- The Committee is responsible for tasks and duties as per terms of reference of audit committee that is formulated based on articles 60, 61 and 62 of Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.

c. Number of meetings held by the Audit Committee during 2021 and their dates to discuss the matters related to financial statements and any other matters and demonstrating the members' personal attendance times in the held meetings.:

S. No.	**Name of the Member**	First Meeting 10/02/2021	Second Meeting 09/03/2021	Third Meeting 14/04/2021	Fourth Meeting 10/05/2021	Fifth Meeting 10/08/2021	Sixth Meeting November 13/11/2021
1.	Mr. Ahmad al Sadah	Present	Present	Present	Present	Present	Present
2.	Mr. Fraih Al Qubaisi	Present	Present	Present	Present	Present	Present
3.	Mr. Mohamad Alkhoori	Present	Present	Present	Present	Present	Present

6. **The Nominations and Remuneration Committee:**

a. **The Nomination and Remuneration Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism and ensuring its effectiveness.**

Mr. Mohammed Hussain AlKhoori, Nomination and Remuneration Committee Chairman acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

b. **Names of the Nomination and Remuneration Committee members and clarifying their competences and tasks assigned to them:**

S. No.	Name of the Member	Designation
1.	Mr. Mohamed Al Khoori	Chairman
2.	Mr. Saeed A Qasimi	Member
3.	Mr. Fraih Al Qubaisi	Member

- The Committee is responsible for tasks and duties as per terms of reference of Nominations and Remuneration Committee that is formulated based on article 59 of Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning Approval of Joint Stock Companies Governance Guide.

c. **Statement of number of meetings held by the Committee during 2021 and their dates, and statement of all Committee members' personal attendance of times.**

- The Nominations and Remuneration Committee held one meeting on 25 November 2021 which was attended by all the members.

7. The Supervision and Follow-up Committee of insiders' transactions:

Its duties were included under the powers of the audit committee according to a decision taken by the Board of Directors during its meeting No. 03/2020 held on: May 21, 2020.

8. The Investment Committee:

a. **Acknowledgment by the Chairman of the committee or the person authorized to be responsible for the committee's system in the company and for reviewing its work mechanism and ensuring its effectiveness.**
   "Mr. Saeed Mubarak Al-Hajeri, Chairman of the Investment Committee, acknowledges his responsibility for the committee's system in the company and for his review of its work mechanism and ensuring its effectiveness."

b. **Names of members of the Investment Committee and clarifying their competences and tasks assigned to them.**

S. No.	Name of the Member	Designation
1.	Mr. Saeed Mubarak Al-Hajeri	Chairman
2.	Mr. Saeed Bin Mohammad Alqassimi	Member
3.	H.E. Mr. Mohammed AlShehhhi	Member

d. **The number of meetings and dates of the meetings held by the Investment Committee throughout the year to discuss matters related to the financial statements and any other matters, and the number of attendances in person by the members in the meetings held:**

S. No.	Name of the Member	The First Meeting 23/05/2021	The Second Meeting 11/08/2021	The third Meeting 10/11/2021
1.	Mr. Saeed Mubarak Al-Hajeri	Attend	Not applicable	Not applicable
2.	Mr. Saeed Bin Mohammad Alqassimi	Attend	Attend	Attend
3.	H.E. Mr. Mohammed AlShehhhi	Absent	Absent	Attend

9. The Internal Control System:

a. **An acknowledgement by the Board of its responsibility for the internal control system of the Company, reviewing its mechanism and ensuring its effectiveness:**

The Board of Directors acknowledges responsibility for the implementation, review, and effectiveness of the internal control systems.

b. **Name of the department director, his qualifications and date of appointment:**

Name: Mostafa Abozied
Designation: Head of Internal Audit
Date of appointment with SALAMA: 10 January 2021
Qualification: Bachelor's degree Finance, Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Information System Auditor (CISA)

c. **Name of compliance officer, his qualifications and date of appointment:**

1. Name: Sami Zouagui
   Designation: Secretary of the Board of Directors
   Date of appointment with SALAMA: 19/07/2020 until: 09/12/2021.
   Qualification: Master's in law

2. Name: Khaled Barakat
   Designation: Head of Legal Department
   Date of appointment with SALAMA: 05/12/2021
   Qualification: Bachelor's degree in Law and has long experience in legal and regulatory affairs in financial institutions, insurance and Takaful companies in the UAE and the Gulf region, and he is a Board Secretary approved by Hawkamah.

SALAMA

d. **How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in the annual reports and accounts (in case of the absence of major problems, it must be mentioned that the Company did not face any problems):**
There were no major issues during 2021.

e. **Number of reports issued by the Internal Control Department to the Company's Board of Directors.**

The Internal Control Department submitted 10 reports during 2021 to the company's board of directors.

10. Details of the violations committed during the fiscal year 2021, their reasons and how they are treated and avoided in the future:

Total violations committed during the fiscal year 2021 amount of AED 22,503, for issuing policies through a broker who's DOH license was not renewed and under renewal, and for delaying in renewing SALAMA DOH license.

11. The contributions in-cash and in-kind made by the Company during 2021 to the development of the local community and the preservation of the environment. (If none, please mention that the Company made no contribution):

During 2021, the company contributed to the development of the local community and the preservation of the environment, with an amount of AED 152,248.99.

12. General Information:

a. **Statement of the company share price in the market (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2021:**

The Month	The Highest	The Lowest	The Closing
Jan 2021	0.855	0.794	0.805
Feb 2021	0.910	0.806	0.829
Mar 2021	0.899	0.820	0.89
Apr 2021	0.968	0.803	0.811
May 2021	0.845	0.800	0.826

Jun 2021	0.862	0.820	0.834
Jul 2021	0.835	0.801	0.816
Aug 2021	0.852	0.803	0.845
Sep 2021	0.851	0.739	0.754
Oct 2021	0.768	0.732	0.749
Nov 2021	0.868	0.742	0.773
Dec 2021	0.830	0.755	0.761

b. B. Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2021:

First: the performance of the Share compared to the DFM Index:

Month	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
SALAMA	0.805	0.829	0.89	0.811	0.826	0.834	0.816	0.845	0.754	0.749	0.773	0.761
DFMGI	2654.06	2551.54	2550.23	2605.38	2797.52	2810.56	2765.71	2902.97	2845.49	2864.21	3072.91	3195.91

Second: the performance of the Share compared to the Insurance Sector:

Month	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
SALAMA	0.805	0.829	0.89	0.811	0.826	0.834	0.816	0.845	0.754	0.749	0.773	0.761
INSURANCE	2017.14	2188.75	2246.37	2183.31	2239.52	2246.81	2213.56	2267.46	2201.85	2220.52	2265.67	2262.63

c. Statement of the shareholders ownership distribution as on 31/12/2021 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign:

S. No.	The Category of the Shareholder	The shares owned			
		Individuals	Companies	Governments	Total
1.	Local	50.0499%	38.2830%	-	88.3329%
2.	GCC countries	1.8268%	0.4738%	-	2.3006%
3.	Arab	4.9765%	0.1942%	-	5.1707%
4.	Foreign	2.0070%	2.1888%	-	4.1958%
5.	Total	58.8602%	41.1398%	-	100 %

d. **Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2021 according to the following schedule:**

S. No.	Name	Number of the shares owned	Percentage of the shares owned in the Company's capital
1.	Goldilocks Investment Company Limited	160,750,000	13.2851%
2.	Ajman Bank PJSC	151,700,000	12.5372%
3.	Mohammed bin Ahmed bin Saeed Al Qasimi	164,525,517	13.5972%

e. **Statement of how shareholders are distributed according to the volume of property as on 31/12/2021 according to the following schedule:**

No.	Shareholding (the share)	The number of shareholders	The number of shares owned	Percentage of the shares owned in the Company's capital
1.	Less than 50,000	5,931	49,269,076	%4.072
2.	From 50,000 to less than 500,000	1,013	149,411,818	%12.348
3.	From 500,000 to less than 5,000,000	187	236,856,585	%19.575

4.	Over 5,000,000	23	774,462,521	%64.005
	Total	**7,154**	1,210,000,000	100%

f. Statement of measures taken regarding the controls of investor relationships and an indication of the following:

Mr. Muhammad Zaheer Iqbal
Tel: +971 4 404 0960
Fax: +971 4 357 6996
Mobile: +971 56 533 2292
Email: zaheer.iqbal@salama.ae
The link to the investor's relations page on the Company's website: http://www.salama.ae/investorforum/aspx

g. Statement of the special decisions presented in the General assembly held during 2021 and the procedures taken in their regard:

- Approved the Board of Directors' proposal to amend the articles No. (39), (40/B), (45/A) and 49 of the Article of Association to be consistent with the federal law # 26/2020 regarding the amendments to the Companies Law # 2/2015.following the approval of the competent authorities.

h. Rapporteur of the Board meetings

Previous: **Name of the rapporteur of the Board meetings:** Sami Zouagui
The date of appointment: 10/07/2020 until: 09/12/2021
His qualifications and experience: Sami Zouagui, DFM Certified Board Secretary, holds a master's degree in business law from the Faculty of Judicial, Political and Social Science of Tunis and is registered with the Tunisian Bar Association since 2001. Sami has an extensive legal experience of more than 20 years in banking and insurance.
Statement of his duties during the year handles board secretarial work

Current: **Name of the rapporteur of the Board meetings:** Khaled Barakat
The date of appointment: 05/12/2021.
His qualifications and experience: Bachelor's degree in Law and has long experience in legal and regulatory affairs in financial institutions, insurance and Takaful companies in the UAE and the Gulf region, and he is a Board Secretary approved by Hawkamah

Statement of his duties during the year: In addition to being the General Counsel of the Company, Motaz handles board secretarial work

i. Detailed statement of major events and important disclosures that the Company encountered during 2021:

- Mr. Parvaiz Siddiq resigned from his position as CEO of the company, and Mr. Fahim Al Shehhi was appointed as the new CEO of the company.
- Mr. Mustafa G. Kheriba, resigned from his position as Managing Director of the company, and Mr. Mohammed Ahmed bin Abdulaziz Al Shehhi was appointed as a new member of the Company's Board of Directors.
- Mr. Saurabh Saran has retired from his position as General Manager of General Takaful in the company, and Mr. Aoun AlSmadi has been appointed as Acting General Manager - General Takaful of the company.
- Mr. Sami Zouagui resigned from his position as the company's General Counsel, and Mr. Khaled Barakat has been appointed as the head of legal department of the company's.

j. A statement of the transactions carried out by the company during the year 2021 that are equal to 5% or more of the company's capital

Parties	**Transaction's amount**
MEDICLINIC MIDDLE EAST MANAGEMENT SERVICES FZ-LLC	125,054,979.40
DUBAI ISLAMIC BANK	66,449,700.19

k. Statement of Emiratization percentage in the Company (workers are excluded for companies working in the field of contracting):

Year	Emiratization percentage
2019	6.44%
2020	6.78%
2021	8.97%

l. **Statement of innovative projects and initiatives carried out by the company or being developed during 2021.**
Full automation of the end -to-end HR processes using the market leading Software as a service solution.

- ✓ Develop HR system, Fixed Asset, Establishment of Succession Planning)
- ✓ Term Life portal.
- ✓ Home portal.
- ✓ Automation of medical takaful insurance operations (B2C Medical portal) for customer service, to reduce the use of paper documents, using electronic workflows
- ✓ Automation of health takaful insurance operations (B2B Medical portal) for the partners, to reduce the use of paper documents, using electronic workflows

Signature of the Board Chairman **Mr Jassim Alseddiqi Alansaari**	**Signature of Audit Committee Chairman** **Mr. Ahmad Al Sadah**	**Signature of Nomination and Remuneration Committee Chairman** **Mr. Mohammed Hussain Al Khoori**	**Signature of Internal Control Department Director** **Mr. Mostafa Abozied**
Date: 29/03/2022	**Date: 29/03/2022**	**Date: 29/03/2022**	**Date: 29/03/2022**

Company Official Seal

سلامة
SALAMA
الشركة الإسلامية العربية للتأمين (ش.م.ع)
ISLAMIC ARAB INSURANCE CO.(P.S.C)
DUBAI - U.A.E (1)

SUSTAINABILITY REPORT 2021

SALAMA – Islamic Arab Insurance Company (P.S.C)

CONTENT

LETTER FROM OUR CEO

(GRI 102-14)

Fahim Al Shehhi
Chief Executive Officer

Protecting and preserving our planet for future generations, improving the wellbeing of its people, and creating shared prosperity for all are essential to creating a more sustainable world.

Businesses cannot prosper for long in a world where poverty and hunger persist or where the natural world is being degraded. By polluting the earth's atmosphere, we threaten the very stability of our planet and our ability to survive. The warning signs of climate change are becoming more and more frequent. Mother nature is providing a wake-up call to humanity that now is the time to act.

Addressing these challenges requires collective and coordinated action from governments, businesses, civil society, and academia. This is the essence of the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs).

The UAE has embraced the SDGs and is at the forefront of driving sustainability in the region. Frameworks such as the UAE Centennial 2071 Plan, the UAE Green Agenda 2015-2030, and the UAE Net Zero by 2050 strategic initiative, among others, are designed to lay the groundwork for a decisive shift in this direction.

If these ambitious plans are to be achieved, businesses will need to play a vital role by adapting their business models and improving their performance on environmental, social and governance (ESG) factors. This also means investing in technology and innovation and, above all, it means investing in people development.

An effective and stable insurance sector provides social and economic security to customers through high-quality insurance products. With more than 40 years of experience in the UAE insurance market, SALAMA is well placed to deliver solutions that reduce risk and mitigate the impact of unforeseen events on individuals, society, and the environment.

Moreover, the principles of social justice, economic prosperity, environmental protection, shared value creation, and ethical behaviour are common to both ESG and Shari'ah. In fact, research shows a direct correlation between Shari'ah compliance and higher ESG scores. A study of 6,500 publicly listed Shari'ah-compliant companies found they had ESG scores that were on average 6% higher than non-Shari'ah companies. As a Shari'ah based financial institution, ESG is naturally embedded in how SALAMA does business.

LETTER FROM OUR CEO

(GRI 102-14)

Fahim Al Shehhi
Chief Executive Officer

We believe we can make the biggest ESG impact by focusing on four key areas: risk awareness; digitalization; environmental protection; and social inclusion.

In term of risk awareness, SALAMA is committed to integrate ESG considerations into every area of the organisation. This means designing insurance solutions that improve resilience and enable people to adapt to a changing world. It also means integrating ESG into our investment process and directing more investment towards responsible companies, which will ultimately enhance our risk-adjusted return.

Digitalization is central to the evolution of the organization and will allow us to continue opening up new opportunities. The company is rapidly advancing with its digital transformation, developing higher levels of operational efficiency and enhancing the customer experience. Our “Insurance on Demand” project is a testament to our efforts to make high quality Takaful solutions accessible to everyone.

Environmental protection is also a high priority for SALAMA. We are raising awareness among our employees while reducing emissions generated by our operational activities. We are now looking to build on this progress and extend our efforts to cover our investment decisions and integrate sustainability into our governance structure and Board agenda.

Last, but not least, SALAMA places great emphasis on the “S” factor of ESG. Our success depends on the capabilities of each and every one of our 234 employees. We continue to prioritise diversity in the workplace as well as gender equality, employee wellbeing, and responsible business practices. Moreover, having been granted Participating Insurer (PI) status by Dubai Health Authority (DHA) we can promote social inclusion by providing health insurance for the more vulnerable members of society.

Together with our stakeholders and our employees, SALAMA is determined to contribute towards realizing a more resilient and sustainable world while continuing to support our customers in their quest for lasting success. We believe that this report shows that we are on the right path.

OUR PURPOSE

(GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-7, GRI 102-10, GRI 102-12, GRI 102-13, GRI 102-16)

STRONG FOUNDATION FOR A BETTER FUTURE

SALAMA has been keeping its promise to be a leading global Takaful provider for more than 40 years. It is a commitment we have made to all our stakeholders, including shareholders, employees, partners, subscribers, and the community to achieve positive change together and build a sustainable future founded on confidence and trust, where families and finances are protected.

SALAMA at a Glance

40+
Years of Operation

234
Employees

250,000+
Insured/ Subscribers

AED 1.1bn
Total Revenues

BBB
Credit Rating by Standard & Poor's with a Stable Outlook

40+
Insurance Services Provided

2021 AWARDS & ACCOLADES

LEADING INNOVATIVE TAKAFUL SOLUTION PROVIDER
AT INSURETEK MIDDLE EAST 2022

TAKAFUL SPECIALIST OF THE YEAR
AT THE MENA INSURANCE AWARDS 2022

TAKAFUL COMPANY OF THE YEAR – UAE 2021
AT GLOBAL BUSINESS OUTLOOK AWARDS

BEST TAKAFUL SERVICE PROVIDER – 2021
AT GLOBAL ECONOMICS AWARDS 2021 - UAE

DECADE OF EXCELLENCE TAKAFUL PROVIDER UAE 2021
AT 2021 Global Banking & Finance Awards®

TAKAFUL COMPANY OF THE YEAR AWARD
AT INSURETEK MIDDLE EAST 2021

TAKAFUL SPECIALIST OF THE YEAR AWARD
AT THE MENA INSURANCE AWARDS 2021

TAKAFUL COMPANY OF THE YEAR
AT INTERNATIONAL BUSINESS MAGAZINE AWARDS 2021

OUR BUSINESS

Founded in 1979, Islamic Arab Insurance Company (SALAMA) is one of the world's largest and the oldest Takaful provider. Listed on the Dubai Financial Market (DFM) with a paid-up capital of AED 1.21 billion, SALAMA is a pioneer in the Takaful industry and a leading Shari'ah-compliant insurance company.

Headquartered in Dubai, SALAMA has operations across the UAE. At the end of 2021, the company had four branches across the country: Dubai, Abu Dhabi, Sharjah, and Al Ain. Our operations extend internationally through our subsidiaries and associates, operating in Egypt, Algeria, and Jordan.

SALAMA's UAE operations account for more than 90% of the Group's revenues. Our stability and success can be attributed to the strategy of keeping employees, subscribers, and partners at the heart of everything we do and staying true to our values and principles.

OUR MISSION

To be the leading provider of innovative and customized takaful solutions backed by strong financial and human resources.

OUR VISION

To achieve a global leadership in Takaful and Re-Takaful industry in terms of market share and/or shareholders' equity.

OUR VALUES

- We are committed to follow Shari'ah principles in conduct of our business,
- We are customer focused, aiming to provide highest quality of service against international benchmarks,
- We aim to achieve operational excellence to maximize stakeholders' value,
- We aim to create a professional and open environment where employees' contributions are recognized, valued, and rewarded,
- We encourage and support employees to undertake initiatives leading to their professional development and growth within the Company,
- We will invest in our employees,
- We encourage ambitious goal setting and support their achievement by all the required resources, with clear responsibilities and accountabilities,
- We are committed to apply highest ethical standards in dealing with all stakeholders. We should be guided by the ethical principles of honesty, integrity, fairness, and trustworthiness.

OUR TAKAFUL SERVICES AND PRODUCTS

SALAMA offers a comprehensive range of General, Family and Health Shari'ah-compliant insurance solutions to individuals, families, and companies. Our reputation in the sector is second-to-none thanks to our consistent delivery of first-class service and adherence to best practices. This credibility makes us uniquely positioned to provide quality and affordable Takaful solutions to the market. We are committed to becoming the UAE's Takaful operator of choice by delivering the best possible personalized service and products that fulfil all our customers' needs.

Some of our largest products are listed below:

AUTO TAKAFUL

- Comprehensive Car Insurance
- Third Party Car Insurance
- Fleet Insurance

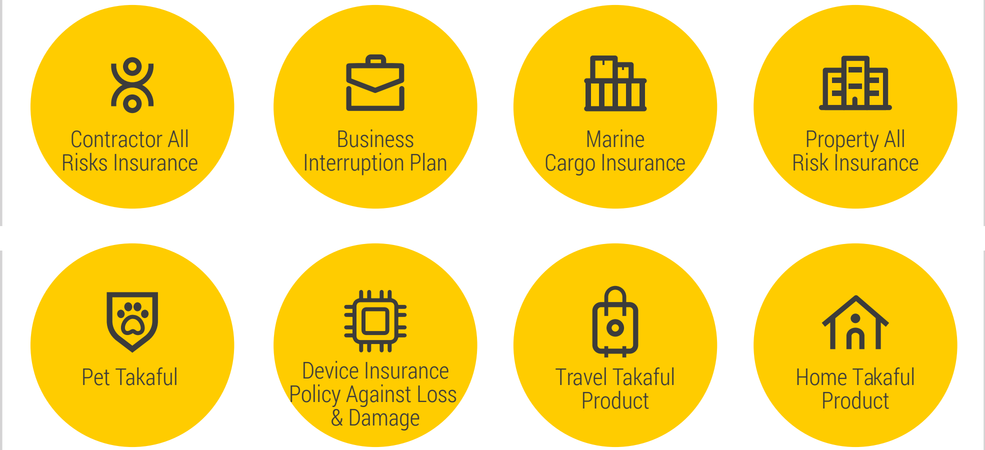
HEALTH TAKAFUL

- Individual Health Plan
- Group Health Plan

FAMILY TAKAFUL

- Whole of Life Plan
- Term Plan
- Savings Plan
- Investment Plan
- Group Family
- Group Credit
- Group Credit Shield
- Group Home Finance

GENERAL TAKAFUL



SALAMA is customer-centric and places client satisfaction at the core of its business model. We embody innovation to design and develop solutions that meet our customers' evolving needs. One of our latest products is the SALAMA Pet Insurance.

OUR SUSTAINABILITY PRIORITIES

(GRI 102-20, E8, E9, E10)

TAKAFUL AND THE ESG WORLD

Insurance plays a vital role in the financial ecosystem. However, under Islamic jurisprudence (Shari'ah), conventional insurance is not permitted. Instead, Takaful, an innovative concept based on solidarity, cooperation, and mutuality, all cornerstones of the Islamic faith, was introduced.

Takaful derives from the Arabic word "kafala", to take care of one's needs, and represents "the act of a group of people reciprocally guaranteeing each other". Under the Takaful framework, two or more parties agree to guarantee one another in the event of a loss and hence members agree to share the defined losses to be paid out of defined assets.

ESG and Shari'ah also converge on many fronts. Both promote value creation and being a good steward to society and the environment. This makes Takaful companies, such as SALAMA, natural contributors to the transition to a sustainable financial system and sustainable development. Moreover, when ESG first emerged as an approach to mitigating risks and enhancing long-term returns, it did so through a process known as negative screening, or avoiding investing in companies deemed to engage in harmful activities. This practice is entirely consistent with the principles of Islamic finance which forbids investment in companies involved in non-Shari'ah compliant activities such as alcohol, tobacco, and gambling.

OUR PRIORITIES

As a leading insurance corporation and one of the world's largest Takaful companies, SALAMA has a duty to align its strategy with ESG and Shari'ah principles. Consequently, our strategy is founded on the principles of advancing social justice, creating shared economic prosperity, advancing environmental protection, and promoting ethical behaviour, principles of both Islamic finance and ESG. At SALAMA, the focus on sustainability and these principles in particular allows us to fulfil our purpose by setting clear priorities and actions that guide us on our journey.

For more than 40 years, SALAMA has supported individuals and companies to shield themselves from various risks and build a more secure and stable future. We do this by creating long-term partnerships and offering tailored products devised through customer feedback and market trends. We cultivate sustainability principles in our decision-making process to create shared value, advance inclusivity, protect our shared environment and society and ultimately help build a brighter future for all.

The pillars of SALAMA's sustainability journey are based on our commitment to supporting all key stakeholders, protecting the environment, promoting ethical governance, and refining our investments in the economy.

1. EMPOWERING OUR WORFORCE

2. SUPPORTING OUR CUSTOMERS

3. PROTECTING OUR ENVIRONMENT

4. OPERATING ETHICALLY AND SUSTAINABLY

EMPOWERING OUR WORKFORCE

The sustainability of an organization can be measured through the wellbeing of its workforce. SALAMA promotes the health and happiness of all our employees through engagement, equal opportunity, skills development, and personal growth.

SUPPORTING OUR CUSTOMERS

Maintaining the confidence and trust of our customers while developing solutions that generate value for all stakeholders is at the heart of everything we do. This means ensuring we meet their needs and expectations by offering high quality products and services. Our product design process is rooted in innovation and based on our understanding of our clients' needs and deep knowledge of the latest market trends. We strive to enhance the digital experience for our customers while safeguarding their data. SALAMA wants to be known as a brand of reliability and trust.

PROTECTING OUR ENVIRONMENT

Protecting the environment starts with spreading awareness and instilling a sense of responsibility in the workforce. This means creating a workplace where everyone adopts responsible energy consumption habits and working towards achieving a circular workplace that uses less paper and generates less waste. Our IT department is working hard to implement the necessary processes to become a paperless environment.

In 2020, SALAMA initiated its GHG emissions computation to better understand its environmental impact. This year, we have closely monitored our progress while also including elements of our Scope 3 emissions to enhance coverage. Moving forward, we will look to gradually include additional Scope 3 emissions, such as waste, and also calculate the impact of our investment portfolio and subsidiaries.

OPERATING ETHICALLY AND SUSTAINABLY

Sound governance is the foundation of a company that promotes responsible growth. SALAMA has in place stringent internal control processes and risk management frameworks that ensure that the company is managed in an ethical manner. Moving forward, SALAMA will also look to integrate ESG into its business model to address and mitigate emerging risks. As a key step towards this we plan to form a dedicated Sustainability Committee so that the issue can be addressed and managed at the executive and Board level.

OUR MATERIAL TOPICS AND SDG ALIGNMENT

(GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-47)

ENGAGING WITH OUR STAKEHOLDERS AND UNDERSTANDING OUR IMPACT

To create sustainable shared value, companies must first identify and then engage with key stakeholders to develop a clear understanding of the issues that matter to them.

This understanding allows us to determine which ESG topics are most material to our business. We can then integrate those topics into our strategic decision-making accordingly.

An effective, systematic engagement process helps to foster close relationships with stakeholders, build their trust and confidence, and understand their needs.

As part of our sustainability strategy, SALAMA intends to conduct a comprehensive stakeholder engagement exercise to fully understand the expectations, interests, and concerns of these groups.

Similar to last year, for this report, we assessed our existing engagement channels to determine key stakeholder concerns. Below is the list of SALAMA's key stakeholders and their respective engagement channels:

KEY STAKEHOLDER GROUPS	EXISTING METHODS OF ENGAGEMENT
SUBSCRIBERS	• Website • Direct clients • Broker channel • Marketing material • Social media • Online customer reviews • Quality calls by the operation department • Insurance authority/Central Bank complaint portal
BOARD OF DIRECTORS & SENIOR EXECUTIVES	• Regular board/management meetings • Regular committee meetings • Company events • Annual general assembly meeting
EMPLOYEES	• Performance reviews • Company training • Internal announcements • Company events • Exit interviewsv
SHAREHOLDERS	• Annual general assembly meeting • Regular meetings with some of the major shareholders • Regular corporate regulatory disclosures
COMMUNITY	• CSR related activities including, donations, sponsorships, • participation in local initiatives and volunteering
GOVERNMENT (Securities & Commodities Authority, Central Bank, Dubai Financial Market, Abu Dhabi & Dubai Department of Health, Department of Economic Development, and Emirates Association)	• Direct engagement through emails and phones • Local forums • Government tendering • Webinars
BUSINSS PARTNERS (Reinsurers, TPAs, and Brokers)	• Regular meetings with select business partners • Regular business review
RATING AGENCIES	• Regular reviews (yearly basis)

As part of the materiality assessment conducted last year, SALAMA also considered a number of other factors to better understand our organization's societal and environmental impacts.

We conducted a thorough peer analysis and studied key trends and sustainability impacts related to the insurance sector. We also used the Sustainability Accounting Standards Board's (SASB) materiality map to further incorporate material sustainability topics specific to our industry. We then aligned the list of material topics with SALAMA's strategic objectives and operational activities.

This dual approach enabled us to finalise a priority list of material issues that SALAMA must manage and report on. We will continuously assess and revise this list to include any new priorities that may arise in future.

Each key material topic has been listed with the corresponding GRI and DFM disclosures. The GRI and DFM Index contains the details of the specific metrics reported and the reference page.

ITEM	KEY MATERIAL TOPIC	CORRESPONDING GRI DISCLOSURE	CORRESPONDING DFM DISCLOSURE
1	Environmental Impact & Sustainability Practices	GRI 302 – Energy GRI 305 – Emissions	E1: GHG Emissions E2: Emissions Intensity E3: Energy Usage E4: Energy Intensity E5: Energy Mix E6: Water Usage E7: Environmental Operations E8: Environmental Oversight E9: Environmental Oversight
2	Data Protection & Customer Privacy	GRI 418 – Customer Privacy	G7: Data Privacy
3	Product & Service Information Labelling	GRI 417 – Marketing & Labelling	N/A
4	Digitalization	N/A	N/A
5	Employment Practices	GRI 401 – Employment	S3: Employee Turnover
6	Employee Skills & Development	GRI 404 – Training and Education	N/A
7	Equal Opportunity, Diversity & Inclusion	GRI 405 – Diversity & Equal Opportunity	S2: Gender Pay Ratio S4: Gender Diversity G1: Board Diversity
8	Financial Performance	GRI 201 – Economic Performance	N/A
9	Business Ethics	GRI 205 – Anti-Corruption	G6: Ethics & Anti-Corruption

OUR ALIGNMENT WITH THE SDGS

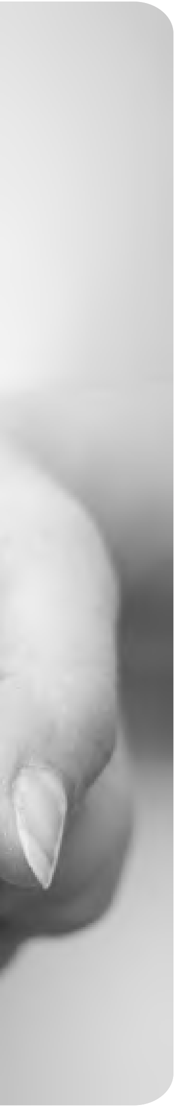
The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted in 2015 by 193 UN member states to address humanity's biggest economic, social, and environmental challenges by 2030. The 2030 Agenda provides a shared blueprint to tackle extreme poverty, hunger, and inequality, improve health and education, and deliver inclusive and sustainable prosperity for all people, everywhere. It also calls for urgent action to tackle climate change and to preserve the biodiversity of the planet. Achieving the SDGs requires all stakeholders, including governments, businesses, civil society, and academia to work in partnership to achieve these objectives.

The UAE embraced the 2030 Agenda and the SDGs and has taken concrete steps to align and integrate their objectives with national strategies, including the UAE Centennial Plan 2071. This is a key requirement of the 2030 Agenda and the first step to encourage stakeholders at all levels to play an active role. The UAE began the process of integration in 2017 with the creation of the National Committee on SDGs which was tasked with ensuring that the UAE's development agenda is aligned with the SDGs and directly contributes to achieving them.

The 2030 Agenda makes clear that businesses, as the primary engine of economic growth, have a crucial role to play in achieving the SDGs by bringing expertise, innovation, technology, and finance to the table. Private sector companies must widen their focus beyond merely generating profit for shareholders to consider the interests of a larger group of stakeholders and creating shared value for all. In doing so, they must align their strategies with the objectives of the 2030 Agenda.

As asset owners, investors, employers and corporate citizens, insurance companies can play a unique role in supporting sustainable development in a number of ways. Through risk transfer mechanisms, insurance contributes to the SDGs in terms of economic growth, social inclusion, good health, and environmental protection.

Last year SALAMA used SDG Compass to map the company's activities against the SDGs. The tool helps to guide companies on how to effectively align their strategies as well as measure and manage their contribution to the realization of the SDGs. This exercise enabled us to determine five specific goals that are most relevant to our business, and therefore, that SALAMA can have the biggest impact on.



1 NO POVERTY

END POVERTY IN ALL ITS FORMS EVERYWHERE

3 GOOD HEALTH AND WELL-BEING

ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL, AT ALL AGES

5 GENDER EQUALITY

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

8 DECENT WORK AND ECONOMIC GROWTH

PROMOTE SUSTAINED, INCLUSIVE, AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT, AND DECENT WORK FOR ALL

13 CLIMATE ACTION

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

This year, SALAMA went a step further by aligning our sustainability priorities, material ESG topics, and key SDGs in the following matrix. This enables us to have a holistic and integrated understanding of our sustainability impact, measured through our performance against relevant GRI disclosures and metrics.

PRIORITY 1	EMPOWERING OUR WORKFORCE
3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	
• Employment Practices • Employee Skills & Development • Equal Opportunity, Diversity & Inclusion	**GRI 401 – Employment** **GRI 404 – Training and Education** **GRI 405 – Diversity & Equal Opportunity**

PRIORITY 2	EMPOWERING OUR WORKFORCE
1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING	
• Data Protection & Customer Privacy • Product & Service Information Labelling • Digitalization	**GRI 418 – Customer Privacy** **GRI 417 – Marketing & Labelling**

PRIORITY 3	EMPOWERING OUR WORKFORCE
8 DECENT WORK AND ECONOMIC GROWTH; 13 CLIMATE ACTION	
• Environmental Impact & Sustainability Practices	**GRI 302 – Energy** **GRI 305 – Emissions**

PRIORITY 4	EMPOWERING OUR WORKFORCE
1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 13 CLIMATE ACTION	
• Financial Performance • Business Ethics	**GRI 201 – Economic Performance** **GRI 205 – Anti-Corruption**

EMPOWERING OUR WORFORCE

(GRI 102-8, GRI 401-1, GRI 401-2, GRI 404-1, GRI 404-3, GRI 405-1, GRI 418-1, S2, S3, S4, S5, S6)

SALAMA's mission "To be the leading provider of innovative and customized takaful solutions backed by strong financial and human resources" underlines the emphasis that we place on managing our human capital. Employees are the backbone of any company and investing in their wellbeing and skills development is vital for the success of the organization. Without a satisfied and productive workforce, a company cannot be truly sustainable in any meaningful sense.

> "We aim to create a professional and open environment where employees' contributions are recognized, valued, and rewarded"

EMPLOYEE WELLBEING AND ENGAGEMENT

SALAMA has delivered on its promises to employees for more than four decades, ensuring they are equipped to navigate change with confidence and purpose.

We have invested time and effort to understand how we can support them to achieve their potential and build a workforce that thrives and drives the company forward.

We do this through a process of constant engagement. Effective employee engagement strategies help organizations to motivate the workforce and create a sense of belonging and ownership, reduce absenteeism and staff turnover rates, increase productivity, and build stronger relationships with our customers. Ultimately, these are all factors that have an impact on company performance.

By engaging directly with our employees, SALAMA has developed a better understanding of their needs and this has allowed us to define four pillars of employee wellbeing:

1. WORK-LIFE BALANCE
2. HEALTHY ENVIRONMENT BASED ON TEAMWORK
3. EMPLOYEE SKILL DEVELOPMENT
4. COMPETITIVE EMPLOYMENT PACKAGES

These pillars were determined by conducting a thorough, anonymous employee engagement survey. In addition, the survey found the overall level of satisfaction across the workforce to be very high. SALAMA intends to make these surveys a regular business practice and use the valuable feedback to continuously enhance our people-management processes.

To further enhance employee engagement, we are also in the process of redeveloping our HR portal which will offer a digital space for continuous two-way interaction between the company and its employees. The portal will consolidate all HR-related matters into one system and allow employees to access important information related to HR processes.

ATTRACTING AND RETAINING EMPLOYEES

To build the talented workforce we need to achieve our objectives, we have ensured that we attract and hire the right people in the first place. This means having a clearly defined recruitment strategy, identifying the best candidates for the roles we are hiring for, and having a rigorous interview and assessment process in place.

In 2021, the company hired a total of 43 new employees, with 65% of them aged between 30 and 50 years old.

Total New Hires

	Female	Male	Female	Male
2019	10	25	29%	**71%**
2020	15	35	**30%**	**70%**
2021	9	34	21%	**79%**

Total New Hires

	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	7	22	6	20%	63%	17%
2020	4	44	2	8%	88%	4%
2021	10	28	5	23%	65%	12%

It is vital to our long-term success as a company that we retain our best employees. This begins by ensuring that we offer competitive packages on par with the market, if not better. Remuneration packages include attractive salaries, the full set of benefits that employees are entitled to under UAE Labour Law, such as healthcare and parental leave, and additional benefits such as life insurance, airfare, flexible work arrangements for working mothers, and mobile allowance, among others.

Looking after their health and wellbeing also plays a crucial role in maintaining a satisfied workforce and retaining the best employees. During the pandemic, this naturally meant ensuring we followed all proper protocols around office sanitation and hygiene-related practices. We introduced working from home practices early during the pandemic.

We also arranged multiple virtual sessions with professionals to discuss important topics such as COVID-19 safety precautions and mental health issues. SALAMA also ran a campaign to allow all employees and their families to get vaccinated at our offices.

When an employee does decide to leave the company, SALAMA conducts an exit interview to understand the reasons behind the departure. While we treat each situation on a case-by-case basis, in 2021 we were able to retain several of the employees that wanted to leave. Whether an employee leaves the company or not, the feedback from all exit interviews is analyzed and used to enhance the company's processes where necessary.

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In 2021, a total of 52 employees left the company of which 73% were male and 67% were between the ages of 30 to 50 years old. The turnover rate has remained more or less steady over the past three years, with a rate of 22% in 2021.

Employees that Left

	Female	Male	Female	Male
2019	30	32	48%	52%
2020	24	25	49%	51%
2021	14	38	27%	73%

Employees that Left

	Below 30 years old	Between 30-50 years old	Over 50 years old	Below 30 years old	Between 30-50 years old	Over 50 years old
2019	8	49	5	13%	79%	8%
2020	2	37	10	4%	76%	20%
2021	7	35	10	13%	67%	19%

	Turnover Rate
2019	24%
2020	21%
2021	22%

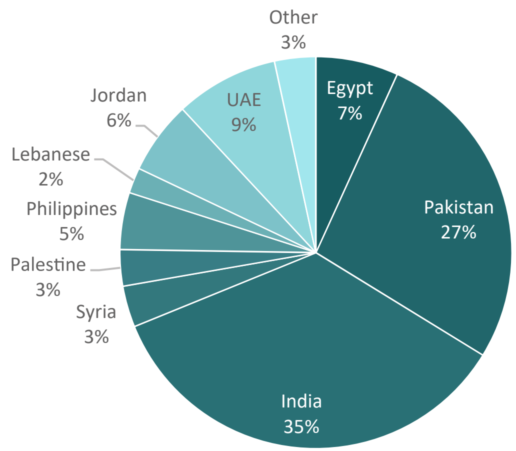
DIVERSITY & INCLUSION

Organizations can benefit in a number of ways from having a diverse workforce. Having access to a diverse talent pool can bring a broader range of ideas, skills, and experiences to the table, which in turn can boost creativity, innovation and productivity.

Operating in the UAE, where expats comprise 89% of the population, it is especially important to have a diverse workforce as it allows the company to connect with a wider range of customers.

SALAMA is extremely proud of the diversity of its team which comprises nationals from more than 16 countries speaking more than six different languages. Our efforts go beyond the organizational level to also ensure we have diversity within our various departments. As an example, the three employees in the HR department come from three different nationalities.

2021 Breakdown



Gender diversity is also a priority at SALAMA. We recruit candidates based solely on their skills, qualifications, and experience.

In 2021, 31% of the workforce was female, a number that has been more or less consistent over the past three years.

SALAMA wants to increase the percentage of female employees, especially in senior positions. While approximately 35% of entry and mid-level positions are occupied by women, the number stands at 13% in senior positions.

We want to increase this number by putting in place leadership programs that allow more women to occupy senior to executive positions. As an example, the head of the HR department is female.

PERMANENT CONTRACT/ FULL TIME

	Female (#)	Female (%)	Male (#)	Male (%)
2019	81	35%	152	65%
2020	73	31%	163	69%
2021	73	31%	161	69%

TOTAL EMPLOYEES BY JOB CATEGORY AND BY GENDER

	Entry-Level		Mid-Level		Senior-to-Executive Level	
	Male	Female	Male	Female	Male	Female
2019	60%	40%	63%	37%	82%	18%
2020	64%	36%	66%	34%	89%	11%
2021	65%	35%	64%	36%	88%	13%

TOTAL EMPLOYEES BY JOB CATEGORY AND BY AGE GROUP

	Entry-Level			Mid-Level			Senior-to-Executive Level		
	Below 30 years old	30-50 years old	Over 50 years old	Below 30 years old	30-50 years old	Over 50 years old	Below 30 years old	30-50 years old	Over 50 years old
2019	12%	79%	9%	1%	85%	13%	0%	55%	45%
2020	14%	82%	4%	3%	89%	8%	0%	67%	33%
2021	22%	73%	5%	3%	92%	5%	0%	78%	23%

With such a diverse workforce, it is crucial for SALAMA to foster an inclusive environment, where every employee is valued and able to achieve their full potential. Our Human Resource Policy Manual and Code of Conduct strictly prohibits any discrimination based on gender, age, religion, nationality, ethnicity, and disability. The manual includes a comprehensive list of policies and procedures governing conduct within the company.

WORKFORCE DEVELOPMENT

For companies to remain competitive in a rapidly changing world, it is crucial they provide employees with the opportunities to continuously learn and refine their skills.

SALAMA is focused on embedding a culture of continuous learning and we are integrating the capabilities to address all employee needs internally. We have made significant progress with this project and have already established a network of channels and partnerships that enable the company to offer a full spectrum of learning opportunities. This will cover everything, from teaching 'soft' skills to offering more technical certifications.

SALAMA Academy Portal

EIBSF Training Management System

LOMA Learning System

Personalized Courses Based on Employee's Needs

SALAMA ACADEMY PORTAL

SALAMA conducts most of its inhouse training through this innovative digital in-house portal, including all training required by the authorities and Central Bank. The portal uses e-learning classes for technical and non-technical training for all employees.

EIBSF TRAINING MANAGEMENT SYSTEM

SALAMA has partnered with the Emirates Institute for Banking and Financial Studies (EIBSF) to offer employees a wide range of best-in-class courses in banking and finance.

LOMA LEARNING SYSTEM

SALAMA has partnered with LOMA to give employees access to a large selection of international training and certifications to equip them with the skills needed to improve job performance and achieve professional and personal development.

PERSONALIZED COURSES BASED ON EMPLOYEES' NEEDS

SALAMA also caters to the individual needs of its employees with bespoke training sessions. We provide employees with access to specific courses or certifications as required, with the approval of their managers.

In 2021, SALAMA provided a total of 200 training hours to employees, with a strong focus on providing training for entry-level employees to equip them with the skills they need to make a strong start at the company. Due to the COVID-19 situation, the number of training hours dropped in 2021 compared to previous years. However, with the situation improving, we have started slowly returning to in-person training and we anticipate that the number of training hours will increase this year. We are also in the process of developing a Talent Development and Succession Plan.

Total Number of Training Hours

	Female	Male	
2019	312	808	
2020	56	208	
2021	88	112	
	Entry-Level	Mid-Level	Senior-to-Executive Level
2019	464	640	16
2020	72	152	40
2021	112	32	56

EMIRATIZATION

As a UAE company, we make it a priority to contribute to the government's drive to increase the participation of local workers in the private sector. In 2021, SALAMA had a total of 20 UAE nationals representing 9% of our workforce, up from 6% in 2019. Just over half (55%) of UAE nationals employed at the company are women (see table below).

In an effort to improve this rate further in the coming years, we are constantly exploring the potential for creating new opportunities for UAE nationals across all our departments.

All UAE nationals benefit from extensive training & development opportunities to improve their skills. We also provide them with other benefits including flexible hours and remote working, especially for mothers (this benefit extends to expatriates as well).

We also encourage new UAE graduates to join our team and have implemented a part-time program allowing employees to pursue their studies in parallel with their work commitments. As of the end of 2021, half of our UAE national employees were in entry-level positions.

Number of UAE Nationals

	Female	Male	Female	Male
2019	13	2	87%	13%
2020	11	5	69%	31%
2021	11	9	55%	45%

Number of UAE Nationals

	Entry-Level	Mid-Level	Senior-to-Executive Level	Entry-Level	Mid-Level	Senior-to-Executive Level
2019	6	8	1	40%	53%	7%
2020	7	8	1	44%	50%	6%
2021	10	6	4	50%	30%	20%

	Emiratization Rate
2019	6%
2020	7%
2021	9%

SUPPORTING OUR CUSTOMERS

(GRI 102-9, GRI 417-2, GRI 417-3, GRI 418-1, G5, G7)

SALAMA's commitment to customers and partners is an integral element of our company's purpose. This unwavering commitment has allowed us to build the trust and loyalty that is the foundation of our relationship with customers and the essence of our brand reputation. Thus, consistently delivering the highest standards of customer service is the cornerstone of our stability and success.

"We are customer focused, aiming to provide highest quality of service against international benchmarks"

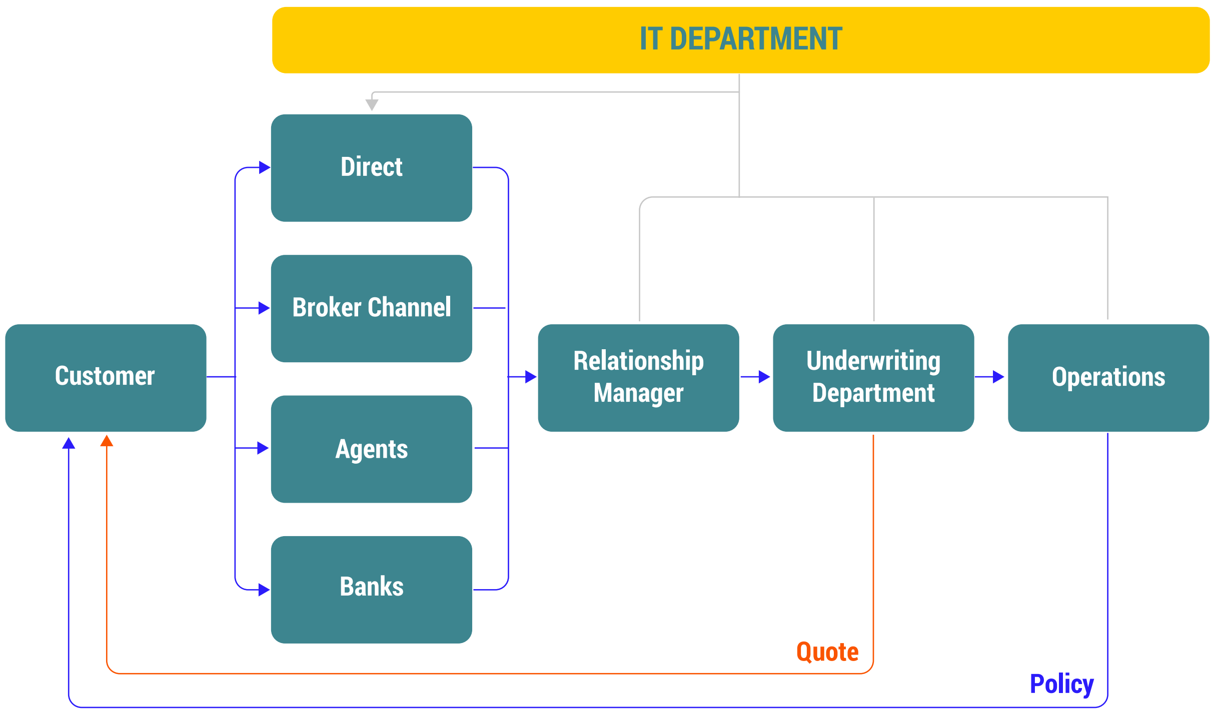
CUSTOMER SATISFACTION

SALAMA ensures that customers enjoy a seamless experience from their first interaction with the company and throughout every step of the entire process. We have designed the customer journey in a way that allows them to navigate the process as easily as possible.

Customers can contact us at their convenience via a number of different communication channels, including our call centre, dedicated service team, email, website, complaint portal, customer portal, social media as well as through our various branches.

CUSTOMER JOURNEY – ACQUISITION AND POLICY ISSUANCE

When issuing new policies, a clear, step-by-step process involving various departments and stakeholders ensures that customer needs are always taken care of:



CUSTOMER JOURNEY – CLAIM PROCESSING

SALAMA also ensures that customers receive a seamless claims processing experience. While there is a slightly different process in place for each business line, the main objective remains the same: to ensure the customer journey is straightforward.

MOTOR CLAIMS

HEALTH CLAIMS

NON-MOTOR CLAIMS

LIFE CLAIMS

MOTOR CLAIMS:

- The end-to-end process is done in-house. Customers can reach SALAMA via email or the contact centre
- Once the claim has been approved, the customer is contacted and given options for garages they can take their vehicle to for repair

HEALTH CLAIMS:

- The complete service is done through the best-in-class international TPAs that SALAMA partners with, including MedNet, Nas and Next Care

NON-MOTOR CLAIMS:

- Customers can contact SALAMA directly or through a broker. Once the claim is received, the process is initiated and the claim is settled. Should there be any need to contact the customer, one-on-one virtual meetings are scheduled.

LIFE CLAIMS:

- These are settled directly through banks.

CUSTOMER JOURNEY – COMPLAINT HANDLING PROCESS

SALAMA makes it easy for customers to raise any concerns they may have about the service they have received. We have a dedicated complaints management team to manage the end-to-end process.

Customers can contact SALAMA directly via our website, social media channels, email, call centre, or branches.

Customers may also submit their complaints via the Insurance Authority portal.

We follow strict processes and response times to ensure that all cases are handled quickly and efficiently. It is essential to respond and acknowledge the customer within one working day, either resolving the matter or explaining that their complaint is under investigation should additional information be needed from other services.

The acknowledgement notification states that the complaint is under review and that the response and/or resolution will be provided within seven working days, a timeframe that Salama often completes ahead of time.

If the support from other departments is needed, the Complaint Officer must follow-up with the relevant units and receive the response within five working days. Turnaround times will freeze if the case is marked as “On Hold” or “Pending with the Distributor” due to additional information pending from other services. In this case, the customer is duly informed about the delay and the case is escalated to Head of Operation.

Complaint Handling Procedure

If the customer is un-happy with any of the services received from SALAMA or if we have not met the Standards of this Charter

A complaint can be submitted through our online system(s) provided on our website (register a complaint), social media, email, contacting our call center or directly with our employees at any one of our offices.

MORE

Customer Happiness Department - Insurance Authority

CUSTOMER HAPPINESS DEPARTMENT

Insurance Authority is committed to providing high-quality service to ensure customer satisfaction and exceeds expectations. For any queries and information, customers can reach the Insurance Authority – Customer Happiness Department through

Call: 800(IAUAE)42823 or Email: Customer.Service@ia.gov.ae

MORE

Our **Customer Services Charter** ensures that we strictly adhere to the standards set by the Insurance Authority. The Charter clearly defines the service standards that our employees are expected to consistently deliver to our customers. It covers a variety of matters, such as response times that employees must respect after receiving a query from a client, and the levels of professionalism that employees must always adhere to when dealing with customers.

The Charter is reviewed regularly and assessed for any gaps that need to be addressed. The most recent review resulted in the introduction of an enhanced complaints handling process.

SALAMA is constantly reviewing its product offering to ensure it meets the evolving needs of customers. In response to customer demand, we recently introduced Pet Insurance.

SALAMA also ensures that its products are marketed in an ethical and responsible manner, in compliance with applicable regulations, and consistent with the principles of Shari'ah.

MARKETING AND LABELLING	
Incidents of non-compliance concerning product and service information and labelling	
Number of incidents of non-compliance with regulations resulting in a warning	ZERO
Number of incidents of non-compliance with voluntary codes	ZERO
Incidents of non-compliance concerning marketing communications	
Number of incidents of non-compliance with regulations resulting in a warning	ZERO
Number of incidents of non-compliance with voluntary codes	ZERO

HERE IS WHY CUSTOMER CHOOSE US

40+
YEARS OF EXPERIENCE

EASY
QUOTATION & CLAIM PROCESS

CASHLESS
GARAGE & HOSPITAL NETWORK

94%
CLAIMS SETTLEMENT RATIO

SALAMA's efforts have been recognized by its insurance industry peers. For the second successive year, we were named 'Takaful Specialist of the Year' at the 2021 MENA Insurance Review Awards (MENAIR). The award is a testament to SALAMA's market-leading Islamic insurance solutions, the high standards of customer service we offer, and the scaling up of our digital capabilities.

Other awards received in 2021 are:

- Takaful Company of The Year - UAE 2021 at Global Business Outlook Awards
- Best Takaful Service Provider – 2021 at Global Economics Awards 2021
- Decade Of Excellence Takaful Provider UAE 2021 at Global Banking & Finance Awards®
- Takaful Company of The Year Award at InsureTek Middle East 2021
- Takaful Specialist of The Year Award at The Mena Insurance Awards 2021
- Takaful Company of The Year at International Business Magazine Awards 2021

INNOVATION AND DIGITALIZATION

Digitalization has changed the needs and expectations of today's customers. Customers want insurance companies to provide simple products, use easy-to-understand insurance language, and provide faster claims handling. They also want to be able to access their insurance details whenever and however they choose, through seamless online experiences.

Digital transformation is therefore essential for all companies to remain competitive. Businesses that do not embark on this process risk becoming obsolete. For this reason, digitalization has become a strategic priority for SALAMA.

Our IT team was tasked with studying and proposing the digital architecture required for SALAMA to deliver the best possible customer experience.

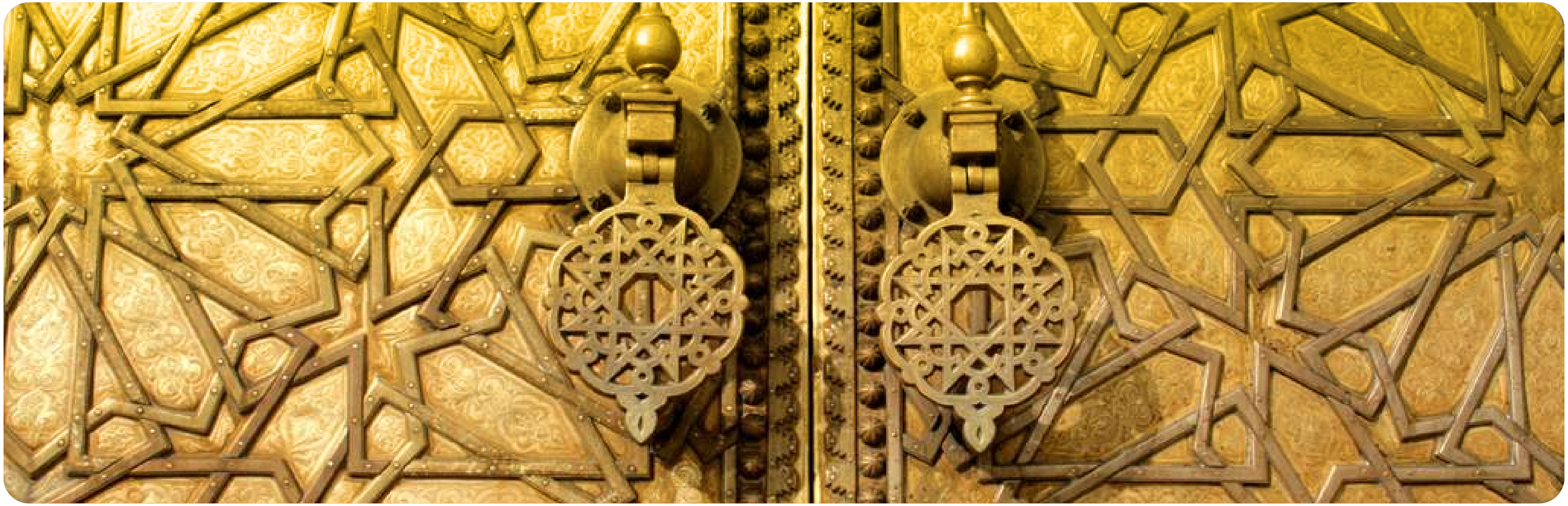
Based on this study, we decided to prioritize the following two initial steps towards digital transformation:

- **Priority 1: Optimize front-end portals and API portals** - Redeveloping our customer-facing portals and touch points is the key to improving our services. Our digital transformation initiative therefore focuses on the customer interface level with a view to integrating the customer portal with the core system. We have also optimized the portals that deal with B2B partnerships and customers that are not end-users, such as banks and aggregators. To this end, we have developed in-house Application Programming Interfaces (APIs) that support agile and fast response times.

- **Priority 2: Digitalize processes and services to enhance customer convenience and internal efficiency** - Now that the front-end and API portals are matured, the second focus is to design channels that allow clients to go through the entire insurance process as seamlessly as possible. Customers are tech-savvy and therefore must be offered a variety of platforms and channels to choose from. A major initiative in that regard is the "Insurance on Demand" project which will allow customers to go through the entire journey via WhatsApp. We aim to enhance processes and achieve full integration and increased efficiency and productivity of internal processes. We are currently developing a holistic CRM that will allow us to fully administer interactions with customers, using data analysis to help us understand their needs and support cross-selling.

Some of the main initiatives introduced as part of our digital transformation journey include:

- Upgrade existing Core System to support digital transformation
- Enhancement of new General Takaful Core Solution
- Digital implementation of IFRS17 in coordination with Finance and Actuary departments
- Development and enhancement of front-end portals for all business lines and products
- Implementation of Insurance on Demand project allowing customers to navigate the entire journey via WhatsApp.
- RPA (Robotic Process Automation) implementation for non-motor and claims department, with the objective of optimizing processes and reducing manual work
- Document and workflow management processes and the digitalization of policies have been the main drivers behind the success of the company's paperless initiative and led to a reduction of 262,800 pages printed. Please refer to the Environmental Section to view the impact achieved.



TAKAFUL INSURANCE ON DEMAND

- This new system will replace the existing app and allow customers to navigate their entire journey via WhatsApp
- Based on our expertise and knowledge of the market and customers, this innovative solution will significantly enhance efficiency and user experience
- Instead of asking customers to download an additional application which they will only use sporadically, this system will allow customers to interact with us via an application they already have on their phone. In 2021, 80.2% of UAE residents used WhatsApp. By leveraging the ubiquity of the app, SALAMA will be able to offer a convenient and simple experience to their customers
- SALAMA is the first insurance company in the region to implement such a project
- The project will initially be trialled for one product before being rolled out across the entire portfolio.

DATA PRIVACY

Digitalization comes with data security and privacy risks that need to be managed. Safeguarding customer privacy and their data is our highest priority and key to maintaining the trust of our customers and partners and protecting our reputation in the market.

SALAMA has robust IT infrastructure that protects all our systems and the data of employees and customers alike. Compliance with regulatory requirements is a priority for the company and the IT department has been charged with this responsibility. SALAMA is in the process of becoming SIA compliant (The Signals Intelligence Agency, formerly known as National Electronic Security Authority – NESA) and is working hard to complete all requirements and to formulate the necessary data privacy policies and procedures. Our existing Acceptable Usage Policy and accompanying procedures are clearly communicated to all employees and customers.

The IT security department has delivered a number of key initiatives which have resulted in SALAMA having a mature and robust protection system in place. Some of the milestones achieved in 2021 include:

- Enhancement of Information Security Systems (implementation of anti-malware, two-factor authentication (2FA), Privileged Access Management (PAM), end point protection, enhanced firewalls, and Security Event and Incident Management (SEIM))
- Implementation of Data Leakage Prevention (DLP) solutions
- Activation of Data Recovery Site
- Completion of PCI DSS (Payment Card Industry Data Security Standard) certification
- SALAMA continuously strives to enhance our IT infrastructure and develop our team's capabilities to ensure we are up-to-date with the latest technologies. The IT department has implemented a training platform for team members called KNOWbe4 that covers various security-related topics. As a result of our various efforts to improve IT security, we have received no complaints

CUSTOMER PRIVACY	
Substantiated complaints concerning breaches of customer privacy and losses of customer data	
Number of complaints received from outside parties and substantiated by the organization	ZERO
Number of complaints from regulatory bodies	ZERO
Number of identified leaks, thefts, or losses of customer data	ZERO

PROTECTING OUR ENVIRONMENT

(GRI 102-20, GRI 302-1, GRI 302-3, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, E1, E2, E3, E4, E5, E6, E7, E8, E9)

With each passing year, stakeholders including governments, investors, customers, and employees are growing increasingly concerned about the deterioration of the environment and, in particular, the impact of climate change.

Every organization has a duty to play its part in preserving the planet and those that do not take this responsibility seriously will inevitably begin to see a negative material impact on their business.

SALAMA can only fulfil its purpose and create sustainable long-term value by running the company in a responsible way, and this includes supporting climate action, embracing the transition to a cleaner economy, and building a better world for future generations.

CLIMATE CHANGE AND THE UAE'S COMMITMENT TO NET ZERO

In 2015, governments came together at the UN Climate Change Conference (COP21) to adopt the Paris Agreement, an ambitious global framework to avoid dangerous climate change by limiting global warming to well below 2°C, and preferably to 1.5 °C above pre-industrial levels before the end of this century. To achieve this aim, the treaty called on all signatories to take swift action to transform their economies and societies, and harness technology and finance to devise solutions that reduce Greenhouse Gas Emissions (GHGs).

Global leaders gathered in Glasgow in November 2021 for COP26 to assess progress on the Paris Agreement. The conference heard that there is a large gap between existing emissions reductions plans and what is required to achieve the Paris Agreement and that all stakeholders must accelerate climate action efforts, and in particular must do more to reduce emissions by 2030.

The UAE had already announced plans to intensify climate action in October 2021, when the government launched the UAE Net Zero by 2050 Strategic Initiative, a national drive to achieve net-zero emissions by 2050, making the Emirates the first Middle East and North Africa (MENA) nation to make this pledge. The UAE intends to invest AED 600 billion in clean and renewable energy projects in the coming years to accelerate the transformation of its economy.

The commitment to net-zero cannot be achieved by government initiatives alone. All organizations, including those operating within the private sector, will need to align their strategies to support this ambitious project. The entire economy, and indeed society, will experience a period of profound change as all stakeholders reset their priorities for the future.

INSURANCE SECTOR

The insurance sector can make a crucial contribution to climate action in a number of ways. Firstly, we can support adaptation by helping businesses and communities to become more resilient to the worst impact of climate change. Coastal flooding due to rising sea levels, for example, threatens to inflict huge damage on cities and populations around the world. Extreme weather events and natural disasters are becoming more frequent, raising the risk of damage to property and infrastructure, businesses and livelihoods. The insurance sector can help underwrite these risks by adapting product and service offerings.

On the other side of the balance sheet, insurance companies can help mitigate climate change by being a responsible investor and channeling more investment towards companies that are effectively managing their ESG material topics, while also having a direct impact on environmental sustainability by investing in renewable energy and clean technology.

Thirdly, we can address the issue through our daily operations as a company, by monitoring, measuring, and managing our own impact on the environment, for example, by reducing emissions from internal operations and even those of our suppliers. This is where sustainability reporting comes into play, by offering transparency around the company's climate-related risk, emissions footprint, and efforts to support climate action.

Climate change will have a significant impact on insurance products, services and operations, while creating new risks and opportunities. Understanding, managing and measuring these impacts will be vital to maintaining the long-term profitability of our business and creating sustainable shared value.

SALAMA expects a significant shift in how businesses operate over the coming years as they move towards lower emissions models. We will adapt our strategy accordingly and equip our business with the right mindset and processes to play an active role in supporting this transition.

OUR APPROACH

SALAMA's approach to environmental stewardship is to address the issue through its role as an insurer, investor, employer and in our local communities.

OUR EFFORTS FOCUS ON THREE PILLARS:

OPERATIONS

INVESTMENTS

GOVERNANCE

- **OPERATIONS:**

Improving the sustainability of our business begins with taking stock of our own operations, understanding the direct impact we have on the environment, and then exploring ways to improve business processes to reduce our environmental footprint. This means looking at ways to reduce our own emissions, creating a more sustainable office space, optimizing business processes, harnessing information technology, enhancing procurement policies, and raising environmental awareness among our employees to change our organizational behaviour. This also entails educating our customers and providing them with innovative and more sustainable solutions.

- **INVESTMENTS**:

Integrating ESG into our investment decision-making as well as risk management processes is a crucial step towards promoting more sustainable investments, managing emerging ESG-related risks. It also allows to make more informed decisions when investing in real estate. This involves engaging with investee companies to develop their knowledge of ESG-related factors and risks.

- **GOVERNANCE:**

SALAMA's management team is currently responsible for overseeing the company's environmental management and performance. However, we plan to establish a sustainability committee as part of our governance structure, so that the Board and executive teams are directly involved in the environmental-related decisions of the company. This will instil accountability and responsibility and ensure these issues are addressed in a more strategic and effective way.

SALAMA will work hard in the coming years to make an impact through these three focus areas and will constantly seek new ways to reduce our environmental footprint and build resilience.

OUR CONTINUOUS PROGRESS

You can only manage what you can measure. Improving our environmental footprint starts with measuring our impact and using the data gathered to enhance our strategies and policies.

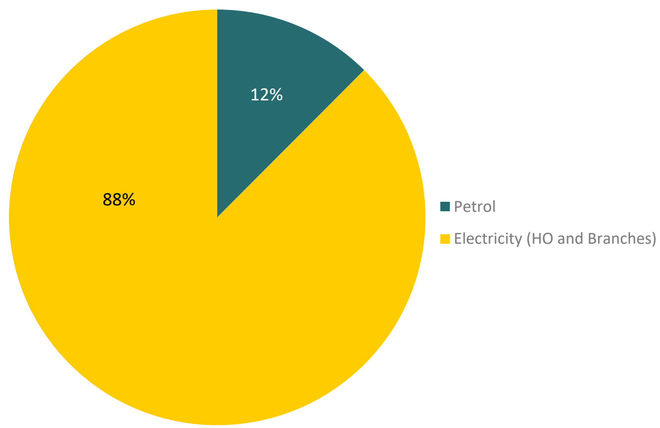
In 2020, SALAMA began calculating its GHG emissions using the GHG Protocol as a standard and setting the organizational boundary according to the 'operational control approach.' This means that we account for 100% of the GHG emissions from operations that we fully control.

This year, we have enhanced our GHG emissions computation to include elements of our Scope 3 emissions, specifically emissions from our water consumption as well as our paper and tissue consumption. The reporting boundary covers our headquarters as well as all UAE branches.

Energy Consumption (GJ)	2019	2020	2021
Fuel Consumption (Petrol)	389.17	305.02	202.00
Electricity Consumption	1,282.50	1,335.00	1,418.50
Total Fuel Consumption	389.17	305.02	202.00
Total Electricity Consumption	1,282.50	1,335.00	1,418.50
Total Energy Consumption	**1,671.67**	**1,640.02**	**1,620.50**

Energy Intensity in GJ per Employee	2019	2020	2021
Direct Energy Intensity	1.67	1.29	0.86
Indirect Energy Intensity	5.50	5.66	6.06
Total Energy Intensity	**7.17**	**6.95**	**6.93**

2021 Energy Mix



GHG Emissions (MT CO^2 e)		2019	2020	2021
Scope 1 (Fuel Consumption)		25.64	19.72	13.22
Scope 2 (Electricity)		151.69	157.91	167.79
Scope 3	Water Consumption	0.03	0.03	0.00
	Paper & Tissue Consumption	66.10	34.04	37.79
Total Scope 1		25.64	19.72	13.22
Total Scope 2		151.69	157.91	167.79
Total Scope 3		66.14	34.07	37.79
Total		**243.47**	**211.70**	**218.80**

GHG Emissions Intensity in MT CO^2e per Employee	2019	2020	2021
Scope 1 (Fuel)	0.11	0.08	0.06
Scope 2 (Electricity)	0.65	0.67	0.72
Scope 3 (Water and Paper & Tissue)	0.28	0.14	0.16
Total	**1.04**	**0.90**	**0.94**

Water Consumption in m^3	2019	2020	2021
Total Water Consumption	11.02	11.13	0.35
Water Consumption per Employee	0.05	0.05	0.00

Note: the water data in 2021 does not include the consumption in Sharjah branch as the data was not readily available at the time of report issuance due to changing location. This explains the significant drop in 2021 consumption data reported.

SALAMA will constantly look to reduce our GHG emissions by integrating sustainability best practices across our operations. This will mainly focus on producing less waste and reducing our consumption of water and energy.

A DIGITAL TRANSITION INTO A PAPERLESS ENVIRONMENT

Digital transformation can play a major role in becoming a more sustainable entity. The IT department has greatly enhanced operational efficiency through the implementation of document and workflow management systems and new processes that have allowed us to make significant progress towards becoming a paperless environment.

OUR IMPACT	
Initiative	**Pages Saved**
DocuSign Digitized Process for Policy Issuance	40,000
Digitized Policies by Mail (Family Takaful)	12,000
Family Takaful Plan holder Services Department Pages Saved by Automated Email Notifications (Various)	105,000
F&A Documents Transferred Electronically for Receipt Vouchers	97,000
Digitized LPO Process (Admin Department)	8,800
TOTAL	**262,800**

OUR MATERIAL TOPICS

We have listed below all the material topics on which we are reporting. In addition, we have included next to each key material topic the corresponding GRI and DFM disclosures. To that end, we have included in the closing section of the report a comprehensive GRI and DFM ESG content index that lists all the disclosures and metrics in this report.

	34.6 TREES SAVED
	ENERGY SAVED WORTH **43.8** RESIDENTIAL REFRIGERATORS/ YEAR
	11.8MT of CO2 SAVED, EQUIVALENT TO **2.4** CARS/YEAR
	30,900 GALLONS of WATER SAVED, EQUIVALENT **22.3** CLOTHES WASHERS/YEA
	771 KG OF SOLID WASTE SAVED, OR **388** PEOPLE GENERATING SOLID WASTE/DAY

OPERATING ETHICALLY AND SUSTAINABLY

(GRI 102-5, GRI 102-7, GRI 102-9, GRI 102-11, GRI 102-16, GRI 102-18, GRI 201-1, GRI 205-3, GRI 405-1, G1, G2, G5, S12)

Robust governance structures form the backbone of all successful organizations and define their ability to create long-term sustainable value for all stakeholders.

Promoting responsible growth and having a positive impact on the planet and society can only be achieved if these structures are in place and functioning effectively.

As an Islamic financial institution, responsible and ethical decision-making is embedded in SALAMA's day-to-day operations. We are fully aligned with Shari'ah principles of transparency, accountability, trust, integrity, and honesty.

Our values clearly state the company's business ethos.

"We are committed to follow Shari'ah principles in the conduct of our business"

"We are committed to apply the highest ethical standards in dealing with all stakeholders. We are guided by the ethical principles of honesty, integrity, fairness, and trustworthiness"

These values guide our efforts to build a more confident future and to deliver on our commitments to our investors, customers, employees, and all other stakeholders.

By managing ethically and sustainably, we have built shareholder confidence, earned the trust and loyalty of our customers and employees, and contributed to the wellbeing of the communities in which we operate.

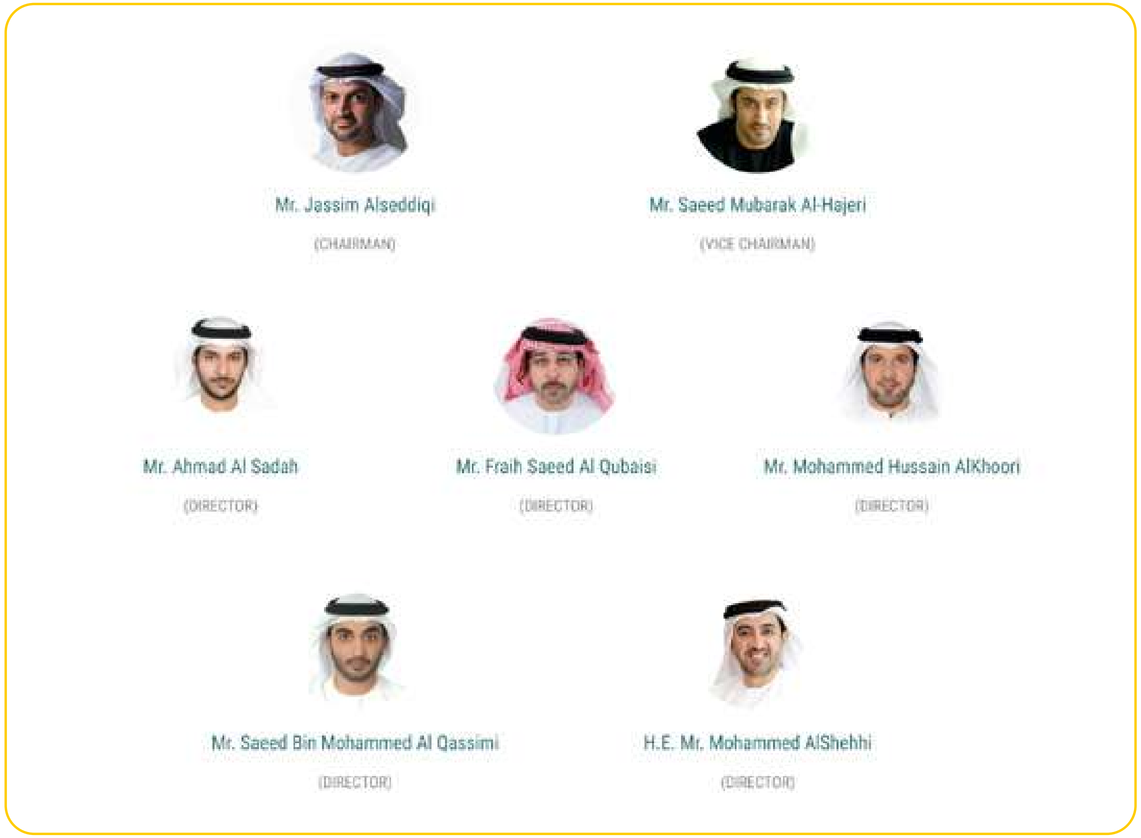
ETHICAL GOVERNANCE

GOVERNANCE STRUCTURE

1. BOARD OF DIRECTORS

SALAMA has seven members on its Board of Directors, all of which are prominent, reputable individuals with successful business track records. Six Board members are independent and one is non-independent. None of the Board members are in executive roles at SALAMA.

Diversity of Governance Bodies			
All members of the Board of Directors and Board Committees are Male			
	2019	2020	2021
Total members on the Board	5	7	7
BOD members under the age of 30	0	0	0
BOD members between the ages of 30 and 50	2	6	6
Board Members Above 50 years of age	3	1	1



2. GOVERNANCE COMMITTEES

While the Board retains overall responsibility for assessing the effectiveness of the company's governance and management structures, the following Committees have been established to assist the Board in internal and business risk management:

- Board Risk & Audit Committee
- Nomination & Remuneration Committee
- Investment Committee
- Technology Committee
- Shari'ah Supervision Committee (SSC): A body appointed by Islamic Arab Insurance Company - SALAMA, comprised of scholars specialised in Islamic financial transactions, which independently supervises transactions, activities, and products of the company and ensures they are compliant with Shari'ah in all its objectives, activities, operations, and code of conduct.

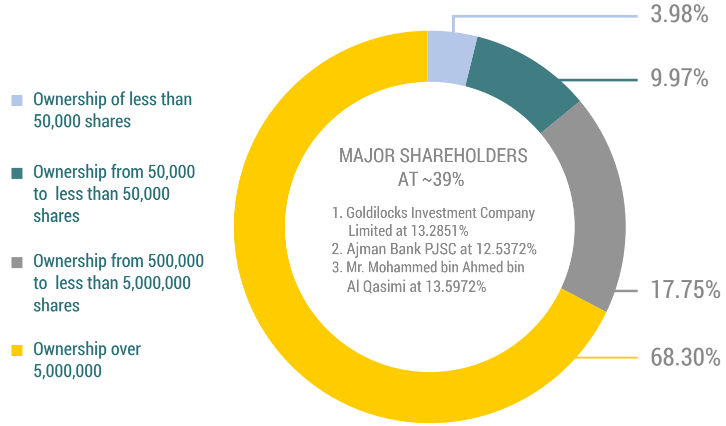
S. No.	Name	Capacity
1.	Dr. Mohd Bakr	Chairman
2.	Dr. Amin Fateh	Member
3.	Dr. Mohammad Qattan	Member

3. OWNERSHIP STRUCTURE

SALAMA has a large shareholder base with a total of 7,152 shareholders. The company has three major shareholders, listed below, which combined own approximately 39% of the company's equity.

The majority of the company's shares are owned by investors holding over 5 million shares each (owning a combined ~68.30% of the company).

2021 OWNERSHIP STRUCTURE



RISK MANAGEMENT

Embedding an effective risk management system is crucial to maintaining successful business operations and delivering sustainable, long-term value.

As a provider of Islamic insurance services, risk management is one of our core competencies and integral to our business processes. SALAMA has a robust risk management framework and related policies in place and has fostered a strong risk management culture that is shared by all employees throughout the organization.

Our risk management framework addresses material financial and non-financial risks to our business. It covers all operations including IT, processes, products, and departments within the company

The framework is based on the following premises:

- Effective risk management is not just about complying with regulations and legislation, it is about doing what is right for stakeholders.
- It is broader than the responsibility of the Board and Committees; it extends throughout the organization, and includes elements of internal controls, ethics, various risk functions, policies and procedures, internal audit, and external audit.
- It requires transparency of disclosure, effective communication, and proper controls and accountability as essential elements for good governance.

Central to the framework is our risk management policy which provides a logical and systematic approach to identifying, assessing, responding, treating, monitoring, and communicating risks within any company activity, function or process. The policy is a dynamic document that is regularly reviewed and revised to address any new risks that may emerge.

ETHICS AND COMPLIANCE

SALAMA has worked hard to instill a culture of ethics and integrity in our organization, where every employee takes responsibility for their actions and understands their role in driving SALAMA's success. We want to empower our employees and make them feel a sense of ownership.

Our Code of Business Conduct supports our commitment to building an ethical culture, upholding the highest standards of business conduct, honesty and integrity. Every employee must read the Code and commit to upholding its values.

SALAMA complies with all applicable rules and regulations and has strong mechanisms in place to ensure there are no lapses. As part of this, we have placed a very strong emphasis on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).

As a starting point, we provide all our employees with a detailed AML/CFT handbook while we also provide them with annual AML training to make sure they are up-to-date with the latest UAE Central Bank rules and regulations and with the UAE's AML law.

We conduct thorough background reviews before onboarding new clients to ensure the funds do not originate from activities that contravene AML rules. We also conduct additional checks at the time of surrenders and partial withdrawals to scan for any AML/CFT risks.

Politically exposed individuals and high net worth clients are screened daily using the recommended software by MENAFATF, UAE "World Check One". Sanctioned lists received from the Financial Intelligence Unit (FIU) are incorporated as well to ensure enhanced due diligence and full compliance with AML/CFT, OFAC and other sanctions list.

SALAMA has successfully completed its PCI DSS (Payment Card Industry Data Security Standard) certification, a major achievement in Governance, Compliance, Information Security and Data Privacy practices in the Company.

INTERNAL AUDIT

SALAMA's Internal Audit unit is responsible for providing independent assurance that the organization's risk management, governance and internal control processes are operating effectively.

Regulatory pressure is increasing for all businesses in the UAE. SALAMA is subject to UAE law and governed by the Central Bank, Dubai Financial Market, and Securities and Commodities Authority (SCA). In addition, we are guided and evaluated by the Institute of Internal Auditors (IIA). Moreover, our compliance and legal teams are keeping a repository of all laws and regulations and articles and updating it regularly to cope with the external environment.

The department also has in place an Internal Audit Charter and Internal Audit Plan which clearly defines the roles, responsibilities and strategy of the unit.

Our internal control system is mature and is continuously reviewed to enhance its effectiveness. Some new features that were introduced in 2021 include:

- **Implemented a new internal audit system:** SALAMA procured the IDEAGEN PENTANA software, ranked best globally, to integrate its internal control system across all subsidiaries. This significantly increases the efficiency of the company, allowing all subsidiaries to share the same audit program as well as to share the risk mitigation methodologies that have been successfully implemented, thereby harmonizing and increasing the quality of the department's work.
- **Improved the capabilities of the team:** SALAMA has strengthened the internal audit team by hiring better qualified and higher calibre employees. We have also improved the diversity of the team to include different skillsets and backgrounds. Having a team with multiple languages enables better oversight of international subsidiaries. Today, the team comprises of eight members representing six different nationalities.

SALAMA also has in place a fraud prevention framework, which includes a scheme that identifies specific fraud scenarios, to detect and prevent fraud violations. In 2021, no incidents of corruption or fraud took place in the company and its subsidiaries.

EMPLOYEE TRAINING

In 2021, SALAMA continued to invest in employee training programs. Trainings focus on the employees' role in managing risk, types of risks they may encounter, and processes to manage those risks. Mandatory training topics include, among others, anti-money laundering, privacy and data protection, security awareness, fraud prevention, ethical business conduct, and how to go about raising concerns over inappropriate business conduct.

SUSTAINABLE VALUE CREATION

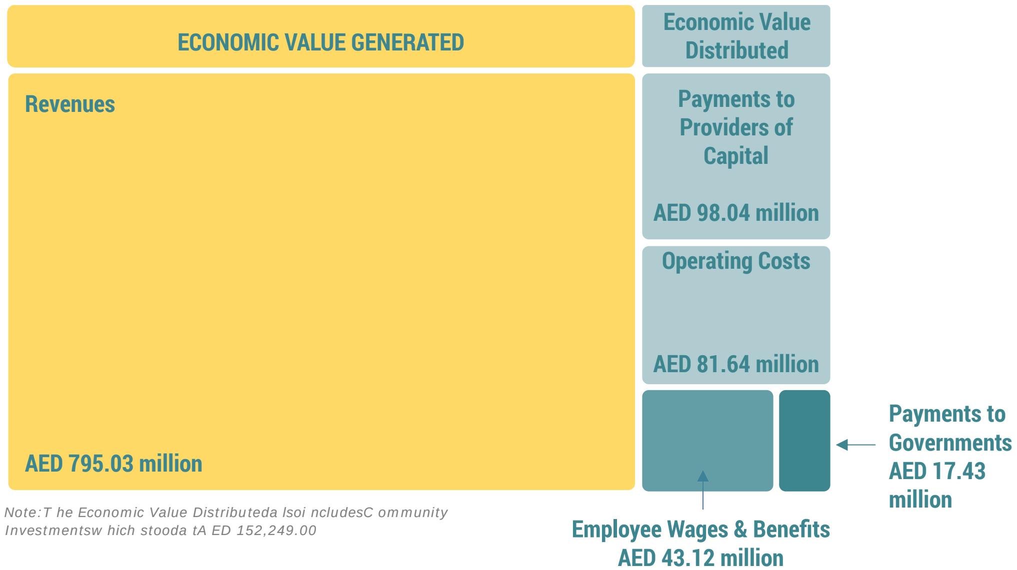
For more than 40 years, SALAMA has built a strong foundation to become the world's largest and oldest Shari'ah-compliant Takaful solutions provider.

We are proud of our achievements and are committed to continuing on our journey and creating sustainable value for investors, customers, employees, and the community, in line with our vision.

Our Vision

To achieve a global leadership in Takaful and Re-Takaful industry in terms of market share and/or shareholders' equity.

The graph below shows SALAMA's direct economic value generated and distributed, and is a testament to how our organization creates prosperity for all stakeholders:

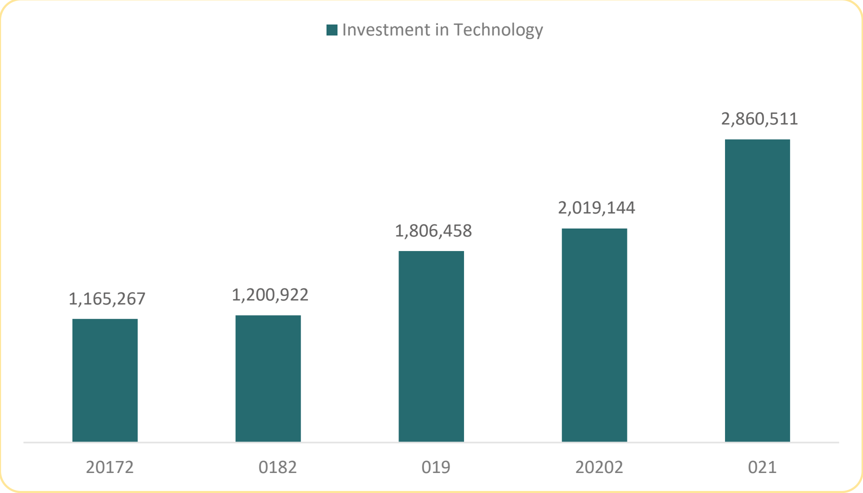


Note: The Economic Value Distributeda lsoi ncludesC ommunity Investmentsw hich stooda tA ED 152,249.00

IN LINE WITH OUR BUSINESS MODEL AND STRATEGY, SALAMA HAS IDENTIFIED A NUMBER OF KEY PRIORITIES WHICH WILL SERVE AS A CATALYST FOR FURTHER GROWTH:

- **Diversification:** concentration risk is viewed as a high risk for the company; hence diversification will be key to financial stability and growth. This means diversifying the geographical markets we operate in, as well as diversifying our vendors and suppliers, our investments, and our product portfolio. SALAMA is constantly designing and developing solutions that meet the ever-changing demands of customers. The combination of our knowledge of the market and latest trends with being a customer-centric company allows us to stay ahead of the game and introduce new products and solutions that disrupt the market.

- **Digital Transformation:** SALAMA is strongly focused on upgrading our technology capabilities to meet customer expectations in a fast-changing world. We want to lead the digital transformation of the regional insurance sector and are working to digitize the entire customer journey from beginning to end, starting from customer onboarding to instant policy issuance. The aim is to make quality takaful solution accessible and affordable for everyone. This is a strategic long-term objective and in the past five years the budget for investing in new technology has been increased



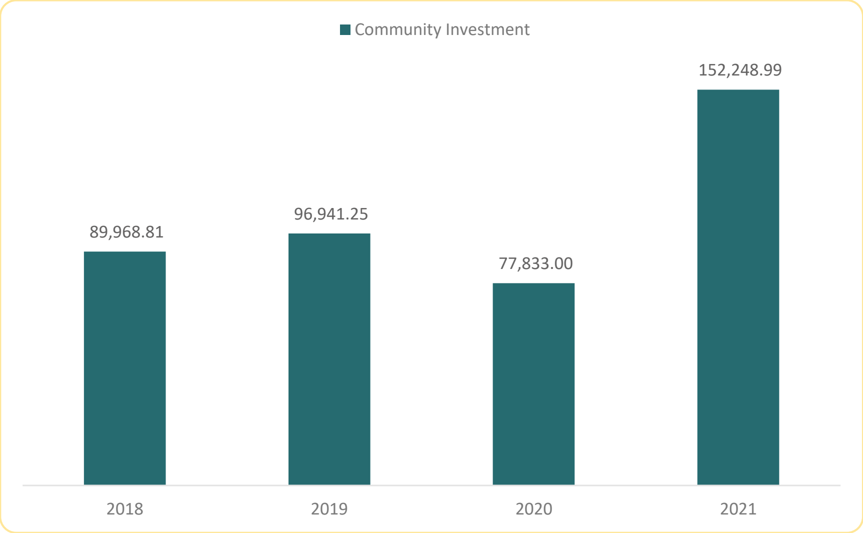
All numbers are in AED

COMMUNITY SUPPORT

As a leading Islamic financial institution in the UAE, it is SALAMA's duty to be a good corporate citizen and to integrate activities that give back to the local community and contribute to the wellbeing of society.

CSR AND COMMUNITY INVESTMENTS

SALAMA supports the local community through sponsorships as well as by making regular donations to those in need. Although there was a slight drop in 2020 due to the pandemic, the budget has almost doubled over the past four years and SALAMA intends to maintain this momentum in the years ahead.



All numbers are in AED

PARTICIPATING INSURER STATUS

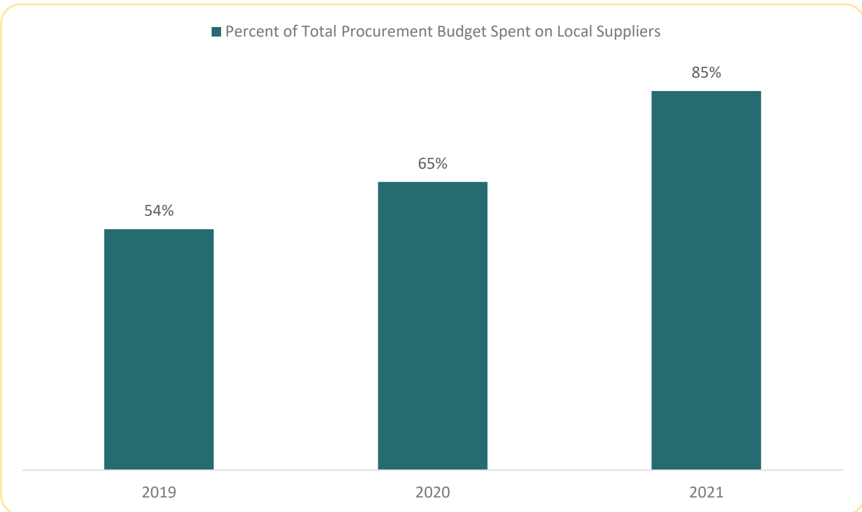
As a leading Takaful solutions provider, SALAMA believes it is our responsibility to promote inclusive and affordable insurance products for all. To that end, the company is proud to have been granted Participating Insurer (PI) Status by Dubai Health Authority (DHA), allowing the company to provide the Essential Benefits Plan to residents earning AED 4,000 or less per month.

Through this new status, SALAMA can ensure that the most vulnerable members of society are protected through affordable premiums. Only insurance companies that can provide cover on a cost-effective basis, that can handle high-volume business, and can demonstrate operational effectiveness and high levels of customer service are considered for PI status. SALAMA is proud to be one of just 16 companies in the UAE to have earned the PI status.

SUSTAINABLE PROCUREMENT

As a UAE-based company, SALAMA strives to support local suppliers and vendors which helps to boost the economy and create shared prosperity. In addition, prioritizing local procurement presents an opportunity to reduce the environmental impact of our supply chain, by reducing shipping and storage and their associated emissions and energy consumption.

To that end, SALAMA is proud that 87% of its suppliers are based in the UAE, while we spend 85% of our total procurement budget with local suppliers. This number has increased by almost 30% in the past three years and SALAMA is committed to increasing local procurement in the years to come.



ABOUT THIS REPORT

(GRI 102-1, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-45, GRI 102-46, GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-53, GRI 102-54, GRI 102-56, G8, G9, G10)

REPORTING SCOPE

This is the second Sustainability Report for Islamic Arab Insurance Co. (SALAMA) PJSC, which covers the period between January 1 and December 31, 2021, unless stated otherwise.

Islamic Arab Insurance Co. (Salama) PJSC is a public joint stock company, registered in the Emirates of Dubai. The Company's headquarters is on the 4th floor of spectrum building, block A, in Oud Metha, P.O. Box 10214 Sheikh Rashid Road in Dubai. The company is licensed by the Ministry of Economy under License No: 208016 Register No: 42381 and registered with the Insurance Authority under number 17.

Islamic Arab Insurance Co. is listed on the Dubai Financial Market since September 16, 2005.

The Company's principal activities are in the UAE where it operates through its Dubai headquarters along with 4 branches (Abu Dhabi, Dubai, Al Ain, and Sharjah), as of end of 2021.

The Company also operates regionally through its four subsidiaries and one associate including:

- TARIIC Holding Co
- Misr Emirate Takaful Life Insurance Co. in Egypt
- Egyptian Saudi Insurance Home in Egypt
- Islamic Insurance (Jordan) Associate
- Salam Assurances Algeria in Algeria

The latter subsidiary is owned through Tariic Holding Company B.S.C. a subsidiary of Islamic Arab Insurance Co which acts as an intermediate holding company in Bahrain with no commercial activities.

All the company's branches fall within the scope of this report while the various subsidiaries do not. This report reflects the company's UAE operation which is the main operation and forms over 90% of the group's revenues.

BASIS OF PREPARATION

This report has been prepared in accordance with the GRI Standards (GRI): Core Option, as well as with the Dubai Financial Market's (DFM) ESG metrics. In addition, the report outlines Islamic Arab Insurance Co's alignment with the United Nations Sustainable Development Goals.

EXTERNAL ASSURANCE

The content of this report has been rigorously reviewed by relevant internal departments. In addition, our financial statements have been audited by a reputable independent audit firm.

We will look to widen the validation scope of our next report to include our internal audit function.

FORWARD-LOOKING STATEMENTS

It is important to note that forward-looking statements involve uncertainty given the many external factors that could impact the environment in which the Company is operating. Such factors could include macro and micro economic conditions, among many others.

The Company holds no obligation to publicly update or revise its forward-looking statements throughout the coming fiscal year except as required by applicable laws and regulations. It is therefore not within the scope of our internal audit team to form an opinion on these forward-looking statements.

COMMUNICATION & FEEDBACK

References to the GRI Standards and DFM ESG disclosures are found on the top part of each corresponding section. The GRI content index, which forms an integral part of Sustainability Reports is prepared in accordance with the GRI Standards and included at the end of the report. The index is inclusive of DFM's ESG disclosures.

For any queries or feedback about this report, please contact:

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GRI & DFM CONTENT INDEX

(GRI 102-55)

GENERAL DISCLOSURES				
GRI DISCLOSURE	**CONTENT**	**DFM DISCLOSURE**	**REFERENCE PAGE**	**NOTES**
Organizational profile				
102-1	Name of the organization		46	
102-2	Activities, brands, products, and services		5	
102-3	Location of headquarters		5,46	
102-4	Location of operations		5,46	
102-5	Ownership and legal form		38	
102-6	Markets served		5	
102-7	Scale of the organization		5,38	
102-8	Information on employees and other workers	S4: Gender Diversity S5: Temporary Worker Ratio	17	
102-9	Supply Chain	G5: Supplier Code of Conduct	23,38	
102-10	Significant changes to the organization and its supply chain		5	
102-11	Precautionary Principle or approach		38	
102-12	External initiatives		5	
102-13	Membership of associations		5	
Strategy				
102-14	Statement from senior decision-maker		3	
Ethics & Integrity				
102-16	Describe your organization's values, principles, standards and norms of behavior		5,38	

Governance				
102-18	Governance structure	G1: Board Diversity G2: Board Independence	38	
102-20	Executive-level responsibility for economic, environmental, and social topics	E8, E9: Environmental Oversight E10: Climate Risk Mitigation	10,32	
Stakeholder Engagement				
102-40	List of stakeholder groups		12	
102-41	Collective bargaining agreements	G4: Collective Bargaining		Not applicable for companies operating in UAE
102-42	Identifying and selecting stakeholders		12	
102-43	Approach to stakeholder engagement		12	
102-44	Key topics and concerns raised		12	
Reporting Practice				
102-45	Entities included in the consolidated financial statements		46	
102-46	Defining report content and topic boundaries	G8: Sustainability Reporting G9: Disclosure Practices	46	
102-47	List of material topics		12	
102-48	Restatements of information		46	
102-49	Changes in reporting		46	
102-50	Reporting period		46	
102-51	Date of the most recent report		46	
102-52	Reporting cycle		46	
102-53	Contact point for questions regarding the report		46	
102-54	Claims of reporting in accordance with the GRI standards		46	
102-55	GRI content index		48	
102-56	External assurance	G10: External Assurance	46	

MATERIAL TOPICS

GRI DISCLOSURE	CONTENT	DFM DISCLOSURE	REFERENCE PAGE	NOTES
GRI 200: Economic Standard Series				
GRI 201: Economic Performance 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		5,29,34	
103-2	The management approach and its components		5,29	
103-3	Evaluation of the management approach		5,29	
GRI 201 Topic Specific				
201-1	Direct economic value generated and distributed	S12: Community Investment	38	Please refer to our 2021 Audited Financial Statements
GRI 205: Anti-Corruption 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,38	
103-2	The management approach and its components		10,38	
103-3	Evaluation of the management approach		10,38	
GRI 205 Topic Specific				
205-3	Confirmed incidents of corruption and actions taken	G6: Ethics & Anti-Corruption	38	
GRI 300: Environmental Standard Series				
GRI 302: Energy 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,32	
103-2	The management approach and its components		10,32	
103-3	Evaluation of the management approach	E7: Environmental Operations	10,32	

GRI 302 Topic Specific				
302-1	Energy consumption within the organization	E3: Energy Usage E5: Energy Mix E6: Water Usage	32	
302-3	Energy intensity	E4: Energy Intensity	32	
GRI 305: Emissions 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,32	
103-2	The management approach and its components		10,32	
103-3	Evaluation of the management approach		10,32	
GRI 305 Topic Specific				
305-1	Direct (Scope 1) GHG emissions	E1: GHG Emissions	32	
305-2	Energy indirect (Scope 2) GHG emissions			
305-3	Other indirect (Scope 3) GHG emissions			
305-4	GHG emissions intensity	E2: Emissions Intensity	32	
GRI 400: Social Standard Series				
GRI 401: Employment 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,17	
103-2	The management approach and its components		10,17	
103-3	Evaluation of the management approach	S7:Injury Rate S8: Global Health and Safety	10,17	

GRI 401 Topic Specific				
401-1	New employee hires and employee turnover	S3: Employee Turnover	17	
401-2	Benefits provided to full-time employees that are not provided to part-time employees		17	
GRI 404: Training and Education 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,17	
103-2	The management approach and its components		10,17	
103-3	Evaluation of the management approach		10,17	
GRI 405 Topic Specific				
404-1	Average hours of training per year per employee		17	
GRI 405: Diversity and Equal Opportunity 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,17	
103-2	The management approach and its components		10,17	
103-3	Evaluation of the management approach		10,17	
GRI 401 Topic Specific				
401-1	New employee hires and employee turnover	S3: Employee Turnover	17	
401-2	Benefits provided to full-time employees that are not provided to part-time employees		17	

GRI 404: Training and Education 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,17	
103-2	The management approach and its components		10,17	
103-3	Evaluation of the management approach		10,17	
GRI 404 Topic Specific				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,17	
103-2	The management approach and its components		10,17	
103-3	Evaluation of the management approach		10,17	
GRI 405 Topic Specific				
405-1	Diversity of governance bodies and employees	S2: Gender Pay Ratio S4: Gender Diversity S6: Non-Discrimination S11: Nationalization G1: Board Diversity	17,38	
GRI 417: Marketing and Labeling 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,23	
103-2	The management approach and its components		10,23	
103-3	Evaluation of the management approach		10,23	
GRI 417 Topic Specific				
417-2	Incidents of non-compliance concerning product and service information and labeling		23	
417-3	Incidents of non-compliance concerning marketing communications		23	

GRI 418: Customer Privacy 2016				
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary		10,23	
103-2	The management approach and its components		10,23	
103-3	Evaluation of the management approach		10,23	
GRI 418 Topic Specific				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	G7: Data Privacy	5	

ADDITIONAL DFM DISCLOSURES

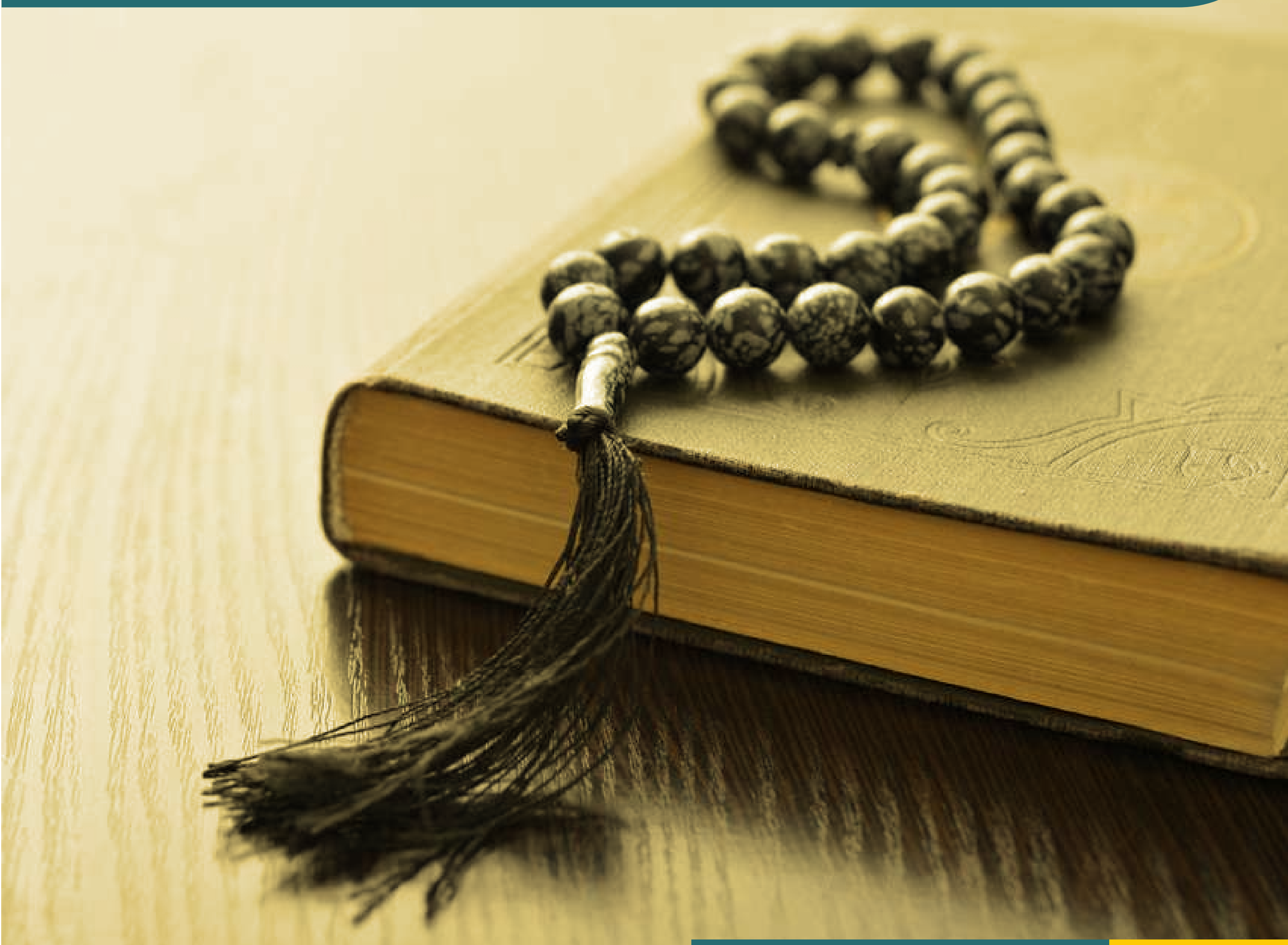
DFM DISCLOSURE	CONTENT	REFERENCE SECTION & NOTES
Social		
S1	**CEO Pay Ratio** Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation Does your company report this metric in regulatory filings?	Please refer to our 2021 Corporate Governance Report
S9	**Child & Forced Labor** Does your company follow a child and/or forced labor policy? If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	We are in full support of combating child and/or forced labor, this risk is less applicable to the Insurance Sector
S10	**Human Rights** Does your company follow a human rights policy? If yes, does your human rights policy also cover suppliers and vendors?	We have Human Rights clauses in our Employee Handbook. This will also be considered as part of our Code of Conduct.

ADDITIONAL DFM DISCLOSURES

DFM DISCLOSURE	CONTENT	REFERENCE PAGE	NOTES
Governance			
G3	**Incentivized Pay** Are executives formally incentivized to perform on sustainability?		This will be considered as part of our Sustainability Strategy

Shari'a Supervisory Committee report

SALAMA – Islamic Arab Insurance Company (P.S.C)



Annual Report of the Shari’ah Supervisory Committee of Islamic Arab Insurance Company (SALAMA) For the financial year ending on 31 December 2021 (“Financial Year”).

In the Name of ALLAH, The Most Beneficent, The Most Merciful

Annual Report of the Shari'ah Supervisory Committee (the Committee) of the Islamic Arab Insurance Company - SALAMA (PSC) (the Company) for the financial year ended December 31, 2021

Issued on: 07 April 2022
to: Shareholders of **Islamic Arab Insurance Company - SALAMA (PSC) (the Company)**

Assalam Alaikum Wa Rahmat ALLAH Wa Barakatuh

Pursuant to requirements stipulated in the Takaful insurance Regulation ("the Regulatory Requirements"), the Shari'ah Supervision Committee (SSC) of the company presents to you the SSC's Annual Report of the company for the financial year ending on 31 December 2021 ("Financial Year").

1. Duties Fulfilled by the ISSC During the Financial Year

The SSC conducted Shari'ah supervision of the Company's Activities by reviewing those Activities in United Arab Emirates, and monitoring them through the external Shari'ah audit, in accordance with the SSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The SSC's activities included the following:

a. Conducting three meetings during the year.
b. The Committee responded to questions and inquiries received from the various departments of the Company and issued the appropriate decisions and fatwas, which were circulated to work with, and directed various departments to adhere to the provisions of Shari'ah and implement the decisions of the Committee.
c. The Committee reviewed the basic Shariah rules for the company's operations, and all the company's transactions, the Takaful insurance products, and documents which the company deals with fundamentals and the contracts for transactions and applications on which the business was based during the year for the purpose of forming an opinion about compliance by the Company with the Provisions and Principles of Shari'ah law in the light of specific fatwas, decisions, and guidelines issued by us. and approve same before placing same into practical use.

d. The Committee Reviewed the Takaful insurance transactions and the investments conducted by the company and show to what extent they are consistent with the Islamic Shariah provisions.

e. The Committee has obtained the necessary data and information it has requested to enable it to exercise the duty of Supervision and Shari’ah audit.

f. Our review which included examination, was conducted on the basis of testing each type of transaction, related documents and procedures adopted by SALAMA.

g. Our review has been planned and implemented with all the information and clarifications which we considered necessary to provide us with sufficient evidence to give reasonable assurance the Committee that the Company has not violated Provisions and Principles of Islamic Shari’ah.

2. Independence of the SSC

The SSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the company. The SSC received the required assistance to access all documents and data, and to discuss all amendments and Shari’ah requirements.

3. The SSC’s Opinion on the Shari’ah Compliance Status of the company

Ascertaining compliance with Islamic Shari’ah, the SSC has concluded with a reasonable level of confidence, in the following:

a) company’s Activities are in compliance with Islamic Shari’ah
b) The contracts, transactions and deals concluded by SALAMA during the year ended 31 December 2021, which we have reviewed, are in compliance with the Provisions and Principles of Islamic Shari’ah;
c) The allocation of profit and of losses related to investment accounts are consistent with the basis adopted by us in accordance with the Provisions and Principles of Islamic Shari’ah; and
d) Since the Company’s Article of Association does not stipulate the payment of Zakat, and this matter is not mandatory by the regulatory authorities, so the shareholders themselves are responsible for paying Zakat. The Zakat due on one share purchased for the purpose of trading is calculated as follows:

The number of shares owned x the market value according to the closing price of the share on 31/12/2021, which is:

1) If Zakat is calculated based on Hijri year:

AED 0.761 X 2.5%.

2) If Zakat is calculated on the basis of Gregorian year:
   AED 0.761 X 2.577%.

The SSC formed its opinion, as outlined above, exclusively based on information perused by the ISSC during the financial year.

We beg ALLAH the Almighty to grant us all the success and straight-forwardness.

Wassalam Alaikum Wa Rahmat ALLAH Wa Barakatuh
Signatures of members of the Shari'ah Supervision Committee of the company

Dr. Mohd Daud Bakar
Chairman

Dr. Mohammad Amin Qattan
Member

Dr. Amin Fateh
Member

سلامة
SALAMA

www.salama.ae