

# **Board of Directors' Report for 2015**

**The Northern Trust Company of Saudi Arabia**

**March 2016**

The Board of Directors of The Northern Trust Company of Saudi Arabia is pleased to submit the Annual Report for the financial year ended 31 December 2015.

### **Introduction**

The Northern Trust Company of Saudi Arabia (TNTCoSA) is a Saudi Closed Joint Stock Company. The Company commenced in the Kingdom of Saudi Arabia from February 2013. The Company operates in the Kingdom of Saudi Arabia under Commercial Registration No. 1010366439 issued on 22/04/1434H (corresponding to 04/03/2013G) by the Saudi Arabian Ministry of Commerce and Industry and the Capital Market Authority License No. 26-12163 dated 25/10/1433H (corresponding to 12/09/2013G), which authorizes the company to managing of investment funds and client portfolios and advising and custody in the securities business. TNTCoSA's founding shareholders are wholly owned subsidiaries of the Northern Trust Corporation. The Registered office of the company is located in Riyadh.

### **Business strategy**

Northern Trust is a leading provider of asset servicing, asset management and wealth management services including global custody, fund administration, investment management, banking and fiduciary solutions for corporations, institutions and affluent individuals worldwide. Northern Trust focuses on two target market segments through its Wealth Management and Corporate & Institutional Services business units.

TNTCoSA has been established to provide custody, asset management and advisory services to local Saudi clients. These clients are expected to include Saudi domiciled funds, charities, corporates, credit institutions, insurance accounts, government agencies, pension schemes and high net worth individuals.

TNTCoSA leverages Northern Trust's global operating model. As a result, contractual arrangements have been put in place to delegate the provision of asset management, global custody and related asset servicing activities to Northern Trust group entities.

### **Future Plans**

TNTCoSA's business strategy is to become one of the top four providers of asset servicing and asset management services in Saudi Arabia; eventually servicing 20% of the total international investable assets, which are estimated to be around SAR 3.5 trillion. This will be achieved through a focus on core market segments and the acquisition of new clients underpinned by TNTCoSA's differentiation in the market through its client servicing strategy and focus.

TNTCoSA relocated to new offices in Nakheel Tower during the first quarter of 2015, allowing us to accommodate business growth. At the end of the 2015, we employed seven staff with four open posts allowing us to service our existing and new clients.



**Operating Results and Financial Position**

All figures in SAR thousands	Dec 2015	Dec 2014
Total revenue	27,414	15,756
Total expenses	10,765	7,200
Net Income after tax	13,144	6,734
Total assets	71,432	62,902
Total Liabilities	5,566	3,682
Net Equity	65,866	59,220

As required by the CMA the Company is required to publish on an annual basis a set of Pillar 3 disclosures. These disclosures are related to market discipline and aim to make firms more transparent by requiring them to publish prescribed details of their risks, capital and risk management. The Company's most recent set of disclosures are published on the Northern Trust Corporation website and can be found at the following address:

<http://www.northerntrust.com/about-us/investor-relations/financial-information/sec-regulatory-filings>

**Dividend Payments**

TNTCoSA paid a dividend of SAR6,498,443, equivalent to SAR1.25 per share, to the shareholders registered in the company's share register on the date of the meeting.

**Board of Directors members and Senior Executives remuneration and bonus**

	Senior Director(s)	Non-Executive Directors	Executive Director(s) CEO, CFO & CCO
Salary / Compensation		SAR370,000	SAR1,647,058
Allowances			SAR279,076
Bonuses			SAR771,648
Motivational Plan			
Other Benefits (Mthly / Annual)			SAR1,260,602

## Board of Directors Members and Related Committees

### Board of Directors Formation

TNTCoSA Board of Directors is comprised of five (5) members, details provided below.

Name and Membership classification	Joint-stock companies other than TNTCoSA in which a director holds board membership
<b>Non-Executive</b>	
Mr. Sheldon Woldt (retired Chairman) <sup>1</sup>	N.A.
Mr. David Wicks	The Northern Trust Company UK Pension Plan Limited
Mr. John Krieg	Left Board in November 2015
<b>Executive</b>	
Mr. Michael Slater (Secretary)	N.A.
<b>Independent</b>	
Dr. Fawaz Al Alamy (Chairman) <sup>2</sup>	HRH Prince Mugrin CSR Ctee, KSA Mubarrad Public Company, KSA Al-Bakri Holding Group, KSA Al-Fatah Water Security Company, KSA The Industrial Group, UAE Al-Bayan Foundation, KSA
Mr. Mazen Al Jubeir	Public Pension Agency, KSA Al Sagr Co-operative Insurance Company, KSA Capital Bank of Jordan, Jordan Ibrahim Abunayyan Brothers Company, KSA Bawan Company, KSA National Medical Care Company, KSA The National Agricultural Development Co., KSA Al Tayyar Travel Group, KSA

TNTCoSA's Board of Directors held four meetings in 2015.

### Board of Directors Committees

The company board of directors form two (2) main committees: the Audit Committee and the Remuneration and Nomination Committee. The following are the descriptions and tasks of these committees.

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<sup>1</sup> TNTCoSA changed our Chairman in January 2016 to comply with the Capital Market Authority circular.

<sup>2</sup> TNTCoSA changed our Chairman in January 2016 to comply with the Capital Market Authority circular.

**(A) Audit Committee**

The Audit Committee consists of three (3) members of the Board. The Audit Committee appoints and evaluates the performance and independence of the independent registered public accounting firm (KPMG), meets with internal audit representatives, receives and discusses the internal audit program and results of examinations, meets with KPMG, and reviews and discusses their reports issued with respect to the quarterly and annual financial statements and the internal financial control structure and procedures for financial reporting. The Audit Committee held three meetings in 2015.

**Committee Member      Role**

Mr. Sheldon Woldt	Chairman
Mr. David Wicks	Member
Mr. John Krieg	Left Committee in November 2015

**(B) Remuneration and Nomination Committee (R&N committee)**

The committee consist of three (3) members of the Board. The R&N committee tasks and responsibilities include, approve the policies and criteria for nomination to the board membership and appointment of senior executives and ensure the integrity of board members. Annually reviews the skills and capabilities required of those suitable for board membership, ensure independency of independent members and lack of conflict of interests. Reviews the structure of the board and submits the necessary recommendations, identifies strength and weakness points in the board and recommend the necessary corrective measures. Establishment of performance related remuneration policies for the board members and senior executives. The Remuneration and Nomination Committee met twice in 2015.

**Committee Member      Role**

Mr. Sheldon Woldt	Chairman
Mr. David Wicks	Member
Mr. John Krieg	Left Committee in November 2015

**Fines, Penalties and Regulatory Restrictions**

TNTCoSA had no fines, penalties or regulatory restrictions imposed on the company by any supervisory, regulatory or judicial authority in 2015.

**Internal Audit and Internal Control Environment**

The Board of Directors, together with the Committees, provide an active oversight role in emphasizing the importance of internal controls. The overall control environment includes the independent functions of Financial Control, Internal Audit, Compliance and Risk Management. These functions operate independent from business functions and assist the Company in realizing its long term strategy without affecting the objectivity and independence. The annual internal audit to assess the control environment for the operational activities and related administrative functions performed by the Saudi Arabia office was performed in November 2015 and issued with an Effective audit rating.

**Auditors' Report**

The Auditors, KPMG Al Fozan & Al Sadhan, expressed an unqualified opinion on the Financial Statements of the Company for the financial year ended 2015.

**Conclusion**

The Board of Directors is pleased to express its gratitude to the Government of the Kingdom of Saudi Arabia and the Capital Market Authority for its continued and constructive support. The Board also acknowledges the dedication and loyalty of its employees.

**Signatures**

Signed on behalf of The Board of Directors.

Dr. Fawaz Al Alamy  
Chairman

Michael Slater  
Board Secretary (CEO)