



Policies, Criteria and procedures for membership in the Board of Directors

Gulf Union Al Ahlia Cooperative Insurance

Policy Approval

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Article 1: Definitions

Taking into account the definitions contained in the Market Terms Regulation and the amended Corporate Governance Regulations, the words and phrases mentioned below shall have the meanings indicated next to each of them unless the context requires otherwise.

- **Company:** Gulf Union Al Ahlia Cooperative Insurance Company.
- **Policy:** Policies, Criteria and Procedures for Membership in the Board of Directors.
- **The Board:** The Board of Directors of the Gulf Union Al Ahlia Cooperative Insurance Company.
- **Authority:** Capital Market Authority
- **The Market :** Saudi Capital Market
- **Companies Law:** The companies law issued by the royal decree no (M/3) 28/01/1437 H, and any further amendments
- **The company's by-law :** the By-Law of Gulf Union Al Ahlia Cooperative Insurance
- **Corporate Governance Regulation:** the Corporate Governance Regulation issued by the Board of the Capital Market Authority Pursuant to Resolution Number 8-16-2017 Dated 16/5/1438H Corresponding to 13/2/2017G, and any Further Updates
- **Chairman :** Chairman of Board of directors of Gulf Union Al Ahlia Cooperative Insurance Company
- **Member :** Member of Board of directors of the Company
- **Secretary:** Secretary of the company Board of Directors.
- **Executive Management or Senior Executive:** persons responsible for managing the daily operations of the Company, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her delegates and the Chief Financial Officer (CFO).
- **Non-Executive Director:** a member of the Board who is not a full-time member of the management team of the Company and does not participate in its daily activities.
- **Independent Director:** a non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in Article 20 of these Regulations apply to him/her.
- **Conflict of interest:** the occurrence or existence of a direct or indirect interest, for any candidate for membership in the Board of Directors or committees, and such interest would influence the contribution of the concerned member with his opinion expressing his professional point of view.

Article 2: preamble

- 1- The policy, criteria and procedures for membership in the Board of Directors of the Gulf Union Al Ahlia Cooperative Insurance Company - a Saudi joint stock company, have been prepared in accordance with the Companies Law and its implementing regulations, the corporate governance regulations issued by the Capital Market Authority and the company's articles of association.
- 2- This policy defines the controls and procedures for membership in the Board of Directors and the company's policy adopted when appointing members of the Board of Directors.
- 3- The provisions of this regulation do not prejudice the right of every shareholder in the company to nominate himself or others for membership in the Board of Directors in accordance with the provisions of the Companies Law and its implementing regulations.
- 4- This policy is not amended except upon a recommendation from the Board of Directors - based on a proposal from the Nomination and Remuneration Committee - and the amendment shall not be effective except after the approval of the company's general assembly, unless the rules, regulations and instructions issued by the competent authorities include otherwise.

Article 3: Purpose

This regulation aims to set clear and specific criteria / standards and procedures that explain to the company's shareholders and candidates for membership of the Board of Directors the conditions, standards and procedures followed when selecting members of the Board of Directors by the General Assembly of Shareholders.

Article 4: Shareholder's right to nominate

Each shareholder in the company has the right to nominate himself or another person or more for membership in the Board of Directors, within the limits of his ownership percentage in the capital when the membership conditions are met in accordance with the provisions of these regulations.

Article 5: Criteria and conditions for membership in the Board of Directors

A member of the Board is required to be professionally capable and has the required experience, knowledge, skill and independence, which enable him/her to perform his/her duties efficiently. He/she shall have the following qualifications in particular:

- 1- **Ability to lead:** He/she shall enjoy leadership skills which enable him/her to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.
- 2- **Competency:** He/she shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.
- 3- **Ability to guide:** He/she shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. He/she shall also be able to provide strategic guidance and long-term planning and have a clear future vision.
- 4- **Financial knowledge:** He/she shall have the ability to read and understand financial statements and reports.
- 5- **Physical fitness:** He/she shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.
- 6- That the person applying for membership in the Board of Directors has not previously been convicted of a crime against honor and honesty, or has been convicted of misconduct in the financial markets or business, or has been judged bankrupt, or is not valid for membership of the Board in accordance with any system or instructions in force in the Kingdom.
- 7- He should not be a senior executive or member of the board of directors in a company that has been declared bankrupt or liquidated based on a judicial order.
- 8- The candidate's age shall not be less than 25 Gregorian years with the date of the beginning of the period of the Board for which he is nominated.
- 9- The candidate must abide by the principles of honesty, trustworthiness, loyalty, care and concern for the interests of the company and shareholders, and prioritizing them over his personal interest.
- 10- The candidate shall not be a member of the board of directors of more than five joint stock companies listed on the market at the same time at the beginning of the period of the board for which he is nominated or at the time of appointment, whichever is earlier.
- 11- When nominating for membership in the Board of Directors, the absence of a conflict of interest shall be taken into account, and the candidate shall not be a government employee unless he is a representative of the entity that nominated him.
- 12- Not to be a member of the board of directors of any of the joint stock companies competing with the company.

- 13- A member of the company's board of directors may not be a member of the board of directors of another local insurance and/or Reinsurance Company, or one of its committees, or occupy a leadership position in those companies.
- 14- That he has the ability to allocate sufficient time to carry out the responsibilities of a member of the Board of Directors.
- 15- In the case of running as an independent member, the candidate must not have any of the independence affecting issues
- 16- Independence cannot be attained by a Board member in the following situations, including but not limited to:
 - Being a Significant Shareholder in the Company, or in a Related Company, working for or representing a Significant Shareholder
 - Being a member of the Board in a Related Company or one of its subsidiaries, or having been one during the past two years
 - Being a member of the Board of the Company for more than nine years
 - Holding a Senior Management position in the Company, or in a Related Company, or having held one during the past two years
 - Being an employee with the Company, with a Related Company, or with a company that provides services to the Company (e.g., external auditors, consulting firms, etc.) or having worked with any one of the above during the past two (2) years
 - Being a Related Person of a member of the Board or Senior Management of the Company or of a Related Company
 - Having a contractual or business relationship with the Company (either directly or through an entity in which he or she is a Significant Shareholder, a Board member, or a manager) which resulted in paying to, or receiving from, the Company the equivalent of two hundred and fifty thousand (250,000) Saudi riyal or more (other than his or her remuneration as a director of the Board and amounts related to insurance contracts) during the past two (2) years
 - Being under any financial obligation towards the Company or any members of its Board or Senior Management that might limit the exercise of independence in judgment and decision making

Article 6: Required documentation

Each candidate for membership of the Board of Directors must submit an application for his candidacy to the company during the announced candidacy period, accompanied by the following:

- 1- Fill out the company's nomination application addressed to the Nominations and Remunerations Committee and during the specified nomination period, and attach with it the candidate's CV, qualifications and experience in general and in the field of insurance in particular, along with attaching copies of the certificates and qualifications.
- 2- Fill out the company's nomination form completely and sign each page.
- 3- Complete the Fit & Proper form issued by the Insurance Authority and provide the company with a complete and signed copy in the nomination application (PDF) and an electronic copy in word format identical to the signed copy. The candidate can obtain the form "(Fit & Proper Form)" from the website of The Insurance Authority
- 4- Fill out the forms specified by the Capital Market Authority, such as Form No. 3 (CV form for the candidate for membership in the Board of Directors of a Listed Joint Stock Company), which can be obtained from the website of the Capital Market Authority.

- 5- A statement of the number and dates of the board of directors of joint stock companies and the committees he had a membership and which he still holds membership in, provided that the statement states the following: -
 - a. The number of Board meetings that took place during each year of the period, the number of meetings attended by the member in person, and the ratio of his attendance to the total meetings.
 - b. The standing committees in which the member participated, the number of meetings held by each of those committees during each year of the period, the number of meetings he attended, and the ratio of his attendance to the total meetings.
 - c. Summary of the financial results achieved by the company during each year of the period.
- 6- If the candidate has previously served as a member of the company's board of directors, he must attach with the candidacy application a statement from the company's board of directors' secretariat about the last period in which he became a board member, including the following information:
 - a. The number of Board meetings that took place during each year of the period, the number of meetings attended by the member in person, and the ratio of his attendance to the total meetings.
 - b. The standing committees in which the member participated, the number of meetings held by each of those committees during each year of the period, the number of meetings he attended, and the ratio of his attendance to the total meetings.
 - c. Summary of the financial results achieved by the company during each year of the period
- 7- The membership status must be clarified, i.e. whether he is nominated as an independent member, a non-executive member or an executive member.
- 8- The nature of the membership must be clarified, i.e. whether he is a candidate in his personal capacity or is a representative of a legal person.
- 9- Attach a clear and valid copy of the national identity, passport and family register for individuals or the commercial register for companies and institutions with the nomination application and the candidate's contact numbers.
- 10- Any other forms that the company may require or in accordance with the requirements of the bylaws, regulations and related requirements.

Article 7: Procedures for candidacy for membership of the Board of Directors

he Nominations and Remunerations Committee, in coordination with the Governance Department and/or the Board of Directors' secretariat, shall supervise the preparation of the Board of Directors elections, sufficiently before the end of the current Board period, and the procedures are as follows: -

- 1- The company announces the opening of the nomination for membership in the board of directors. The announcement is prepared and published - in accordance with the forms and procedures regulating this - on the financial market website and the company's website and in any other means determined by the competent authorities at least 60 days before the end of the current board period.
- 2- Nominations shall remain open for at least 30 days from the date of the announcement in order to give the candidates time to apply.
- 3- If the required number of candidates for the membership of the Board is not available within 30 days, the nomination period shall be extended until the required number that should presented to the company's general assembly is completed.
- 4- Candidates submit their applications on the form designated for this by the Capital Market Authority - and in accordance with the conditions and criteria set forth in the company's announcement -

attached with the documents required under these regulations, and they are sent to the company's headquarters within the date specified in the company's announcement of candidacy.

- 5- Nomination applications are received in accordance with the announced conditions, and after the deadline for submitting nomination applications in accordance with the above, the Nomination and Remuneration Committee reviews the submitted applications and recommends to the Board of Directors qualified candidates for the new Board session in accordance with the approved criteria in this regard, and the Nomination and Remuneration Committee has the right to conduct a personal interview for candidates
- 6- The Nominations and Remunerations Committee shall, when choosing between candidates, take into account the diversity in scientific qualification and practical experience, and give priority in the nomination to the required needs of those with the appropriate skills for membership of the Board of Directors, and that the number of independent members shall not be less than one third of the members of the Board.
- 7- No-objection from the Insurance Authority must be obtained in writing before electing any of the Board members.
- 8- The company shall inform the Insurance Authority when any of the applications for candidacy for membership of the Board is rejected, and specify the reasons for the rejection.
- 9- All documents required for nomination should be included with company's request in the general assembly's system, after entering the data of qualified candidates in the system prepared for that on the approved form and in accordance with the required requirements.

Article 8: Procedures for electing board members

- 1- The company's By-Law specify the number of members of the board of directors, provided that it is not less than three and not more than eleven.
- 2- The general assembly elects the members of the board of directors for the period stipulated in the company's By-Law, provided that it does not exceed four years, and they may be re-elected unless the company's articles of association provide otherwise.
- 3- The company's general assembly should convene and an item is included on its agenda to elect members of the board of directors from among the qualified candidates, according to the approved form for the announcement, and it should be published on the Capital market website and the company's website, at least (21 days) before the date of the meeting, and shareholders are allowed to vote electronically on the meeting agenda of the general assembly, description of the candidates' experiences, qualifications, skills, jobs and previous and current memberships should be attached on the announcement - according to the advertisement instructions form - and any other attachments requested by the competent authority, and the company must keep a copy of this information at its head office.
- 4- The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats to give a chance to the General Assembly to select the Board members among those nominees, take into account the availability of a sufficient number of independent members.
- 5- Cumulative voting shall be used in electing the Board of Directors.
- 6- A legal person who is entitled, according to the company's By-Law, to appoint representatives on the board of directors, may not vote on the selection of other members of the board.
- 7- Voting in the General Assembly shall be confined to the Board nominees whose information has been announced
- 8- When the members are elected from the general assembly, the members of the board of directors are appointed and their names are announced according to their order of obtaining votes in the general assembly (the order is from highest to lowest in votes) and if this is done, but the number of independent members that must be available in the board of directors is not complete among the winning members With the highest number of votes, the last non-independent member (or more than

- one member) in the ranking is eliminated, which is the non-independent member with the lowest number of votes, and the remaining independent members are appointed to complete the correct quorum of the Board in the order in which they receive the votes. So that the sum of the non-independent and the independent is equal to the number of members of the Board to be appointed.
- 9- The results of the meeting of the General Assembly shall be announced according to the approved form immediately after its conclusion, and the item on the election of the members of the Board of Directors shall mention the names of the elected members, their membership status, and the date of the beginning and end of the Board period.
 - 10- The company shall notify the Authority with the names of the members of the Board of Directors and their membership status within five working days from the date of the start of the Board of Directors session or from the date of their appointment - whichever is sooner - and any changes that occur to their membership within five working days from the date of the changes occurring through the Authority's electronic forms system.
 - 11- Programs will be prepared for the newly appointed members of the Board of Directors to introduce the progress of the company's work and activities, in particular the company's strategy and objectives, the financial and operational aspects of the company's activities, the obligations, duties, responsibilities and rights of the members of the Board of Directors, the functions of the company's committees, the company's governance system and its supplementary regulations.
 - 12- The Chairman and Vice-Chairman of the Board of Directors will elected, committees will be formed, and the Secretary of the Board will be appointed at the first meeting of the Board after the beginning of the board period, provided that obtaining Insurance Authority's no-objection on the appointment of the Chairman of the Board of Directors, the deputy, the chairmen and members of the committees and the Secretary of the Board, and the company announces this on the Saudi capital market's website according to the announcement form approved by the competent authority.

Article 9: Membership Vacancy

- 1- The board of directors shall call the ordinary general assembly to convene in ample time prior to the expiration of the board's term to elect a board of directors for a new term. If the election cannot be held and the term of the current board expires, its members shall continue to carry out their duties until a board of directors is elected for a new term, provided that the period of such continuation of the lapsed Board does not exceed (90) days from the end date of the Board's term. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified
- 2- If the chairman and members of the board of directors resign, they shall call for an ordinary general assembly meeting to elect a new board. The resignation shall not take effect until a new board is elected, provided that the period of such continuation of the resigned Board does not exceed (120) days from the date of such resignation. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified
- 3- A board member may resign pursuant to a written notice submitted to the chairman of the board of directors. If the chairman of the board resigns, the notice shall be submitted to the board members and the board's secretary. In both cases, the resignation shall take effect from the date specified in the notice.
- 4- if the position of a board member of a joint-stock company becomes vacant due to his death or resignation, and if the minimum number of members required for the validity of board meetings as stipulated in this Law or the company's articles of association is not affected by such vacancy, the board may appoint a qualified person with relevant expertise to provisionally fill the vacancy. The appointment shall be reported to the Commercial Register, and to the CMA if the company is listed in the capital market, within 15 days from the date of such appointment, and it shall be submitted to

the ordinary general assembly in its first meeting. The appointed member shall complete the term of his predecessor.

- 5- If the number of board members falls below the minimum number required for the validity of board meetings as stipulated in this Law or the company's articles of association, the remaining members shall call for an ordinary general assembly meeting within 60 days to elect the required number of members.

Article 10: Expiration of the Board Membership

- 1- The membership of the board of directors shall expire with the expiration of the term of the board resignation, death, if the board of directors finds evidence that the member breaches its duties in a way that would harm the interest of the company on the condition that this would include the approval of the ordinary general assembly, with the expiration of its membership in accordance with any regulation or instructions in force in kingdom of Saudi Arabia, if ruled that its bankruptcy or insolvency be declared, if it applies for settlement with its creditors or stops payment of its debts, if it develops mental illness or physical disability that may lead to the inability the member to play its role fully, If it is established that it commits an act involving a breach of trust and morality or convicted of forgery under a final judgment
- 2- The general assembly may, upon the recommendation of the board of directors, terminate the membership of any member who fails to attend three consecutive meetings or five non-consecutive meetings during the course of his membership without an excuse acceptable to the board.
- 3- The ordinary general assembly may, however, remove some or all board members. Subject to any controls set by the Capital Market Authority. In such case, the ordinary general assembly shall elect a new board of directors or a replacement for removed members, as the case may be, in accordance with the provisions of the companies Law and its implementing regulations.
- 4- If a member of the board of directors resigns and has comments on the performance of the company, it shall submit a written statement of same to the chairman of the board of directors. Such statement shall be presented to the members of the board of directors.
- 5- The Insurance Authority shall be notified upon resignation of any member of the board or termination of its membership for any reason upon the expiration of the term of the board within five (5) working days from the work leaving date and relevant disclosure requirements

Article 11: Candidate disclosure of conflict of interest

Whoever wants to nominate himself for membership in the Board of Directors must disclose any cases of conflict of interest - in accordance with the procedures established by the competent authority - and this includes:

- 1- Having a direct or indirect interest in the business and contracts made for the company that he wishes to nominate himself for its board of directors.
- 2- His participation in a business that would compete with the company, or its competition in one of the branches of the company's activity.
- 3- The company takes the necessary measures if the candidate discloses one of the above (in 2.1), and an item must be included in the agenda of the general assembly to obtain permission from the assembly for the member. If he has an interest and failed to obtained the approval from the general assembly, he will be excluded from the list of candidates and the next one is chosen in the voting.

Article 12: Review and Enforcement

- 1- The policy is subject to periodic review and supervision - when needed - by the Nominations and Remunerations Committee, and any proposed amendments by the Committee will be presented to the Board of Directors, which studies and reviews the amendments and recommends them to the Shareholders' General Assembly for approval.
- 2- The amendment of this policy be approved by the decision of the general assembly of shareholders approving the amendment based on the recommendation of the board of directors, and the regulation will be effective once approved by the general assembly.
- 3- All that is not provided for in this regulation for which the Saudi Companies Law and its regulations, the Capital Market Authority law and its regulations, the regulations of the Insurance Authority, the company's articles of association and decisions issued by the competent authorities in relation to the regulations shall apply.