



**Saudi Arabian Cooperative Insurance Company (SAICO)**

**Saudi Joint Stock Company**

**Corporate Governance Regulations**

**Before Amendment**

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## Chapter One: An Introduction

### **1- Preamble**

This Regulation outlines the rules and standards which organize the management of the Saudi Arabian Cooperative Insurance Company (SAICO) A Saudi Joint Stock company, and it is referred to hereinafter as "the Company" to ensure the compliance with the best governance practices which guarantee the protection of partners and protection of the stakeholders' rights. Hence, it has been prepared in accordance with the requirements of the regulations of Companies Governance issued by the Capital Markets Authority and as amended on 20/05/2019 A.D., in conformity with the regulation of the Insurance Company issued by the Saudi Central Bank on 22/10/2015 A.D., and in line with the Companies Law and rules of offering securities and on-going obligations, and the Company's Articles of Association.

### **2- Objectives of the Regulation:**

The Regulation aims to improve and regulate the Corporate Governance environment, and to make its governance in a high degree of transparency, along with laying an emphasis on the Company's adherence to Corporate Governance by virtue of developing the following:

- Administrative performance based on increasing the value of the Company and its accountability;
- An effective supervisory role in cooperation with executive persons in order to achieve the interests of the Company and shareholders, including small investors, and seek to increase shareholders' rights in appropriate ways;
- Disclosure of information, adequate transparency, and an effective system of internal control and risk management;

The Company shall disclose in the Board of Directors' report the provisions of the Governance Regulations issued by the Capital Markets Authority and the Saudi Central Bank that have been implemented, the provisions that have not been implemented, and the reasons for that;

The employees in charge of Corporate Governance are familiar with this regulation and understand thereof, and that they are mutually responsible for applying thereof. Accordingly, they undertake to strictly adhere to the Company's obligations by virtue of enforcing all provisions contained therein.



## **2- Definitions:**

The words and expressions contained in this Law have the meanings thereof as in the Capital Markets Authority's Law and in the list of terms used in the Capital Markets Authority's regulations and rules. For the purpose of implementing the provisions of this Law, the words and phrases listed below shall have the meanings shown next to each of them unless the context requires otherwise:

### **A) Corporate Governance:**

They are the rules for the leadership and direction of the Company that include mechanisms to regulate the various relationships between the Board of Directors, executives, shareholders and stakeholders, and that clarifies special rules and procedures to facilitate the decision-making process and impart transparency and credibility for the purpose of protecting the rights of shareholders and stakeholders hand in hand with realizing highest possible degree of fairness, competitiveness and transparency in the market and the work environment.

### **B) Executive Member:**

He is a member of the Board of Directors who is branched out in the Executive Management of the Company and participates in its daily business.

### **C) Non-executive Member:**

He is a member of the Board of Directors who is not affiliated with the Company's Management and does not participate in its day-to-day business.

### **D) Independent Member:**

He is a non-executive Board member who enjoys complete independence in his position and decisions. None of the independence limits apply to him. What is contrary to independence standards is any of the following cases, for example, but not limited to:

- 1- To be the owner of five percent or more of the shares of the Company or any company of its Group, or has a kinship with whoever owns this percentage;
- 2- To be a representative of a legal person who owns five percent or more of the Company's shares or the shares of any company of its Group;
- 3- To have a direct or indirect interest in the business and contracts that are executed for the Company;



- 4- To have a relationship of kinship with any of the members of the Board of Directors in the Company or in any company of its Group;
- 5- To have a relationship of kinship with any of the senior executives of the Company or in any company of its Group;
- 6- To be a member of the Board of Directors of any company of its Group of the Company nominated for membership in its Board of Directors;
- 7- To work or have been an employee during the past two years for any of the parties related to the Company or any company of its Group, such as external auditors and major suppliers, or to be the owner of controlling shares with any of those parties during the past two years;
- 8- To receive money from the Company in addition to the remuneration of the membership of the Board of Directors or any of its committees in excess of 200 thousand riyals or more than 50% of his remuneration in the previous year which he received in consideration for membership of the Board of Directors or any of its committees, whichever is less. (This is other than the amounts related to insurance contracts and remunerations that a member is entitled to for his membership in the Board of Directors during the last two years);
- 9- To participate in a business that would compete with the Company or to work in one of the branches of an activity similar to the one the Company is practicing;
- 10- To have spent more than nine continuous or separate years as a member of the Company's Board of Directors.

**E) Relatives:**

- Fathers, mothers, grandparents, and their ancestors;
- Children and their children, and their grandchildren;
- Brothers and sisters, father or mother;
- Husbands and wives.

**F) Stakeholders:**

Everyone who has an interest with the Company (such as shareholders, employees, creditors, customers, suppliers and the community).

**G) Minority Shareholders:**

They are the shareholders who represent a class that does not control the Company and cannot influence it.



#### **H) Cumulative Voting:**

It is a voting method for selecting members of the Board of Directors that gives each shareholder a voting power according to the number of shares he owns so that he is entitled to vote for one candidate or divide thereof among the candidates he chooses without duplicating these votes, and this vote increases the chances of minority shareholders to obtain representation in the Board of Directors through the cumulative votes of one candidate.

#### **4- Date of Application:**

It starts as of the date of the approval of the Company's Board of Directors and the General Assembly, as required by the case, for each of the regulations. In the event that there are no legislative amendments or the Company's policy that require amendment of the regulations, the Audit Committee shall evaluate and audit them after three years from the date of their approval.

### **Chapter Two: Adherence to Corporate Governance**

#### **1- Principles of Corporate Governance**

The Corporate Governance structure is based on the following principles:

- **Accountability:** Governance allows the Company to be held accountable to all shareholders, and to provide guidance to the Board of Directors on how to set the Company strategy and monitor management.
- **Equity:** The Company pledges to protect the interests of shareholders and affirms its equal treatment of them, including small investors.
- **Transparency:** The Company affirms its adherence to timeliness and accuracy in the process of disclosing all important information related to the financial position, Company performance, ownership structure, and Corporate Governance, through specific communication channels that all interested parties can access easily.
- **Responsibility:** The Company is aware of the rights of all parties interested in the Company, which are included in the rules and regulations, and also encourages joint cooperation between those parties.

All employees perform their work in accordance with all applicable rules and regulations, in addition to their adherence to the standards related to ethical



behavior that are defined in this Regulation in the Ethical Conduct and Relationship with Stakeholders Guide.

## **2- Internal Governance Regulations:**

The Corporate Governance structure, processes and practices are organized by the Company's Articles of Association and the following internal regulations:

- Corporate Governance Regulations
- Regulations of the General Assembly of shareholders
- Board of Directors Regulations
- Audit Committee Regulations
- Regulations of the Nominations and Remuneration Committee
- Executive Committee Regulations
- Investment Committee Regulations
- Risk Management Committee Regulations
- Remuneration policy for members of the Board of Directors, subsidiary committees, and executive management
- Disclosure and Transparency Policy Regulations
- Regulations for the Internal Control System
- Profit Policy Regulations
- Handbook to ethical conduct and the relationship with stakeholders
- Conflict of interest policy;
- Policies and procedures for the nomination and appointment of members of the Board of Directors and the committees emanating from it;

These internal regulations have been prepared to meet the requirements of the legal requirements in the Kingdom in addition to the global best practices related to corporate governance.

## **3- Commitment to corporate governance policies and practices:**

The Board of Directors, the Audit Committee and the Managing Director / CEO of the Company are responsible for ensuring compliance and periodically auditing the Company's corporate governance policies and practices.



### Chapter Three: Best Practices for the Board of Directors and the Managing Director / CEO

Having a vigilant, specialized, and independent Board of Directors is the basis for a good Corporate Governance Law. The Board of Directors affects the performance of the Company through its supervision, guidance and control of the executive management in light of the interest and benefit of the shareholders. Corporate executives play an important role in governance processes. Effective cooperation between all parties and a clear separation of powers are among the most important elements of successful governance.

#### **1- Governance of the Board of Directors**

##### **A) Authorities:**

The essence of the management authorities are defined in the Company's Articles of Association, the Board of Directors' Regulation, in accordance with the legislative requirements in the companies' Law, the Registration and Listing Rules, the Corporate Governance Regulations issued by the Board of the Capital Markets Authority, and the Insurance Corporate Governance Regulation issued by the Saudi Central Bank.

##### **B) Capacity:**

The Board of Directors consists of the appropriate number of members, not less than five members, and this capacity has been determined by the Company's Articles of Association and Board of Directors' Regulation, and among the most important considerations that took into account the necessity of having different competencies and skills in the members.

##### **C) Election and Termination of Members' Service:**

The General Assembly of shareholders elects members for a period not exceeding three years, and reelection may be made for similar periods, taking into account the term of the independent member. The General Assembly has the right to terminate the Board's service before the end of its term, and it may take this decision for all or some of the members.

##### **D) Board formation and independence of members:**



The formation of the Board of Directors takes place in light of the appropriate representation of all shareholders, and the competencies and skills present in it are suitable for its supervisory duties and to develop the follow-up of the Company's management and strategy. Each member has the expertise, skills and knowledge necessary to carry out his duties effectively and to improve the ability of the Board to achieve the long-term goals of the Company and its shareholders.

It is not permissible to combine the position of Chairman of the Board of Directors with the position of General Manager or Chief Executive Officer, and therefore the Chairman of the Board shall be a non-executive member, and the number of executive members of the Board of Directors shall not exceed one quarter of the number of members. To emphasize impartiality in decision-making and to achieve a balance of interests among all, it is not permissible for more than two members of the Board of Directors to be executive members (from the executive division) of the Company. The Company is keen to ensure that these members do not have important relations with the Company other than their membership in the Board and according to the definition of the Corporate Governance Regulations for them in Chapter One, paragraph (3), and that the formation of the Board of Directors reflects an appropriate representation of the independent members. In all cases, the number of independent members of the Board may not be less than two members or one third of the members of the Board, whichever is greater.

#### **E) Board Committees**

The Board of Directors shall form the following committees, as a minimum:

- Audit Committee
- Nomination and Remuneration Committee
- Executive Committee
- Investment Committee
- Risk Committee

Each committee shall have its own regulation that defines its membership, powers, work procedures related to it, and the rights and responsibilities of its members. Heads of the committees, or whoever delegates them from among their members, shall attend the general assemblies to answer shareholders' questions. The Company shall notify the Authority of the names of the members of the committees and their membership characteristics within five working days from the date of their appointment, and any changes that occur to that within five working days from the date of the changes taking place.



**F) Work procedures:**

The Board of Directors meets according to a fixed schedule that is set at the first meeting after the formation of the Board. This schedule helps the Board perform its duties effectively, and in accordance with this schedule. The Board of Directors meets (4) four times a year or more as required by the interest of work, provided that the detailed procedures related to preparing for the meetings of the Board of Directors shall be specified in the Board of Directors regulations and that all members of the Board will receive complete information on the topics to be discussed in the meeting. This information includes the agenda, minutes of the previous meeting, and the main indicators of the Company's performance, which include the appropriate financial information prepared by the Company's management with clear recommendations for taking decisions. The Board of Directors shall keep the detailed minutes of the meetings that include the Board's discussions and the result of voting on its decisions, signed by the Chairman and the secretary of the Board, on an individual basis.

**G) Training and possibility to consult specialists:**

The Company provides orientation programs for new members about the nature of the Company's activity and some other important matters, from outside the Company when there is a need for that.

**H) Remunerations:**

The remuneration of non-executive members of the Board of Directors includes annual remuneration and meeting fees (according to the Company's Articles of Association), provided that these remunerations do not in all cases affect their independence. The Board of Directors, through the Nominations and Remuneration Committee, reviews the members' remuneration periodically. These remunerations are included in the annual report.

**I) Loans to Board Members:**

Personal loans may not be granted to members of the Board of Directors.

**J) Duties and Responsibilities:**

Members of the Board of Directors perform their duties sincerely and with full care in order to achieve the interests of the Company and all shareholders, and not in the interest of a specific group of them. All Board members are expected to attend all Board and committee meetings of which they are members. All members shall not



use the internal information available to them for their personal benefit and to refrain from participating in events that could lead to a conflict of interest with the Company. In the event that this occurs, they are bound to disclose to the rest of the members, and those with interests shall abstain from voting in the Board on the decisions related to them, and the Company has defined the duties and responsibilities of the members in the Board of Directors regulation.

## **2- Governance of the Managing Director / CEO**

The Company understands that the day-to-day management of the Company's activities needs effective leadership by the Managing Director / CEO of the Company and his assistant managers, and that working within a team is one of the best methods to meet the challenges that the Company faces.

### **A) Authority**

The Managing Director / CEO and his associate executives conduct the day-to-day management of the Company and implement its objectives and strategy.

### **B) Selection and Termination of Service**

The Board of Directors selects the Managing Director / CEO. The Managing Director / CEO in turn submits a proposal to the Board of Directors for the executives to be assisted for approval. The Board of Directors may terminate the service of the Managing Director / CEO and his assistant executive directors at any time.

### **C) Succession Plans**

The Board of Directors prepares a succession plan that shows the Board's effectiveness in dealing with the loss of the Company's Principal Executives. To assist the Board of Directors in this regard, the Managing Director / CEO submits a list to the Board of Directors that includes the appropriate persons to replace the Company's Principal Executives.

### **D) Duties and responsibilities**

The Managing Director / CEO performs his duties sincerely and with full care to achieve the interests of the Company and all shareholders, and not in the interest of a specific group of them. The Managing Director / CEO and his assistant executives



shall refrain from participating in events that may lead to a conflict of their interests with the interests of the Company. If this happens, they shall disclose it to the Board of Directors in accordance with the rules of the Company's conflict of interest regulation policy.

#### **Chapter Four: Shareholders' Rights**

All shareholders have the right to participate in the management of the company and its profits. All rights have been organized and defined in the Company's regulations and internal rules.

##### **1- Shareholders General Assembly**

The Company has a regulation for the General Assembly of shareholders explaining all the procedures related to the preparation, management and decision-making thereof.

##### **A) Meeting**

The General Assembly shall convene at the invitation of the Board of Directors, or if requested by the external auditors, the Audit Committee, or a number of shareholders whose ownership represents at least (5%) five percent. Every shareholder is invited to participate and vote during the assembly. The date of the meeting, the agenda, and all information related to it shall be announced at least twenty-one days before the date, or according to the period stipulated in the legislative regulations or any subsequent amendment to it so that he can take decisions on the topics discussed in the Assembly. The invitation is published on the financial market website, the Company's website, and in a daily newspaper distributed in the city of the Company's headquarters. Modern technology means should be used to contact the shareholders. The invitation includes the agenda. A copy of the invitation and the agenda is sent to the Capital Markets Authority. Company executives are responsible for these procedures and they are executed by the Secretary of the Board of Directors / Director of Shareholders Affairs. The Company shall have fair and effective ways to present the proposals and topics contained in the agenda as well as proposals that include nominating members of the Board of Directors. When preparing the agenda, the Board of Directors shall take into account the topics that the shareholders wish to include on the meeting agenda, and shareholders who own at least 5% of five percent of the Company's shares may add one or more topics to the agenda of the General Assembly when preparing



thereof. The agenda may not be changed or modified after approval by the Board of Directors.

#### **B) Managing the General Assembly of Shareholders**

The Company follows all necessary methods to facilitate the shareholders' participation in the General Assembly and in voting on the topics included in the agenda. The venue for the Assembly is determined so that the majority of shareholders can easily access it. The registration procedures shall be appropriate and the executive persons of the Company assist the shareholders in exercising their voting rights in the event that the shareholders are not able to physically attend the association by granting these shareholders the right of written agency to other persons who are not members of the Board of Directors and non-employees of the Company, or through the remote voting service according to the controls and procedures of the Capital Markets Authority. The Company affirms the necessity of the attendance of the members of the Board of Directors, the executive directors, the head of the Audit Committee and the external auditors of the General Assembly in order to answer any questions or inquiries from the shareholders and each shareholder has the right to discuss and submit questions and inquiries related to the topics included in the agenda. The Chairman of the General Assembly conducts the meeting with fairness, professionalism and experience, and that the voting process is conducted in confidence. The Company shall have effective mechanisms for the voting process that guarantee protection of the rights of small shareholders from unfair behavior, that these mechanisms have been organized and defined in the Company's Articles of Association and the regulation of the General Assembly of shareholders and that the procedures used for counting the votes in the General Assembly are transparent and do not include any possibilities that would influence the voting results.

#### **C) Results**

The results of the voting are distributed to the shareholders at the end of the General Assembly meeting or as soon as after the end of the meeting, and they shall be published to the public by placing them on the Company's website and on a trading website, and the Company provides the Capital Markets Authority with a copy of the meeting minutes within ten days from the date of the meeting.

#### **D) External Registrar:**

The Company appoints an independent external registrar to follow up the shareholder record, and the Company emphasizes the confidence and effectiveness



in the ownership structure registration system for its shares through the selection and appointment of an independent external registrar with a good reputation.

## **2- Related party transactions:**

The Company discloses appropriate information related to transactions with related parties, including information on the degree of kinship with members of the Board or officials of the Company.

## **3- Profit Distribution Policy:**

The Company has prepared and follows a special regulation for the policy of dividend distribution in the interest of the shareholders and the Company. The Company shall enable shareholders to view this policy in the General Assembly meeting and refer to it in the report of the Board of Directors, and the objectives of the profit policy are as follows:

- Establishing a clear, understandable and predictable mechanism for determining the value of the distribution;
- Ensuring that distribution payment procedures are easy and effective;
- Ensuring that the advertised distribution is paid at its full value and according to the payment dates;

## **Chapter Five: Transparency and Disclosure of Information:**

Transparency, accuracy and timeliness of disclosure of information are fundamental principles of Corporate Governance.

### **1- Disclosure Policy and Practices**

The Company discloses all important information and provides shareholder access to it free of charge. This information contains the financial position of the Company, its performance, ownership structure and governance structure in it, along with confirming that the Board of Directors has prepared and approved a list of transparency and disclosure of information and that the Company publishes its full annual report, which contains a section on Corporate Governance. In addition, it discloses the Company's governance practices and the schedule of events and important information on its website at convenient times.



## **2- Preparing the Financial Statements**

The Company maintains accounting records and prepares the complete financial statements in accordance with the accounting standards approved in the Kingdom, and discloses them in the annual report and on the Company's website. It also discloses the interpretations of the financial statements so that the user of those statements can evaluate the performance of the Company. The reports of the Board of Directors, the external auditors, and the Audit Committee are complementary to this financial information.

## **3- Oversight and Audit Committee**

The duties and responsibilities of the Audit Committee are represented in three main topics: oversight of financial reporting, risk management, and internal and external audit. The committee consists of non-executive members who have appropriate experience in financial affairs. The powers, responsibilities, work procedures and procedures of the committee have been organized in its own regulations.

## **4- External Audit**

The external auditors audit the financial statements of the Company, and they are considered independent from the management of the Company and the shareholders, and they are chosen by the General Assembly of shareholders after being nominated by the Board of Directors based on the recommendation of the Audit Committee.

The period of audit for the Company carried out by the audit office shall not be more than five continuous years. A two-year period shall elapse before reappointing the audit office

## **5- Ownership Structure**

The Company stresses the need for shareholders who own more than 5% of the Company's shares to disclose it.

## **Chapter Six: Control Functions**

### **1- Compliance Monitoring Responsibilities**

The task of compliance shall start at the top of the pyramid (the Board of Directors) and include the senior management and all employees so that compliance is deemed an integral part of the work and culture of the Company, where compliance with regulations, standards and instructions is one of the most important foundations and



factors for the success of financial institutions and maintains its reputation and credibility and the interests of shareholders and customers, in addition to providing thereof with protection from statutory penalties. It is also a comprehensive multi-faceted responsibility that falls on all parties in the Company, starting with the senior management board and ending with all employees, each according to his powers and tasks assigned thereto.

Compliance monitoring needs full and direct support from the senior management and that the Compliance Department is completely independent and has access to information, documents and instruments regardless of their confidentiality and is not assigned to any tasks that hinder and affect its independence and workflow, whether by external interference or from other departments. The Compliance Department is directly linked to the Audit Committee and submits its periodic reports. It has the right to directly contact the Saudi Central Bank and provide it with information according to the procedures it specifies.

One of the main principles of compliance is the collective responsibility of all employees of the Company. The Compliance Department performs various tasks, including:

- 1- Establishing a compliance policy;
- 2- Providing proactive advice to senior management;
- 3- Defining the regulatory requirements and create a database for them;
- 4- Communicating with business and senior management departments and informing them of the statutory requirements on an ongoing basis.
- 5- Following up the implementation of these regulations and instructions by the business administrations;
- 6- Reporting violations and developing corrective plans in cooperation with business departments;
- 7- Providing training and awareness programs for compliance and combating money laundering and terrorist financing;
- 8- Following up on resolving all non-compliance problems discovered by the regulatory authorities;
- 9- Working with supervisory and observing authorities to address the risks of non-compliance;
- 10- Informing senior management and executive management of the risks of non-compliance received from the regulatory authorities;
- 11- Submitting periodic reports to the Audit Committee, as well as to senior and executive managements, and stating the fundamental compliance violations



- such as breaches of regulations and instructions received from the regulatory authorities, and the statutory penalties or fines imposed on the Company;
- 12- Working to create an effective compliance environment;
  - 13- Ensuring that all policies and procedures in the company are in compliance with the statutory instructions;
  - 14- Activating the principle of warning signs (siren) to warn of violations of internal and external regulations, deviations, and situations that expose the Company to the risks of non-compliance;

## **2- Responsibilities and Structure of the Risk Management Department**

The Board of Directors and senior management are responsible for evaluating the risks that the Company is exposed to. Nevertheless, for day-to-day management purposes, responsibility rests with the Head of the Risk Management Department, as the Risk Management Department is responsible for the following important risk management functions in relation to insurance risks:

- Implementing the risk management strategy approved by the Board of Directors;
- Establishing a contingency plan to ensure business continuity;
- Ensuring that risk management is independent of all operating departments of the Company;
- Formulating policies on insurance risk (including underwriting, reserves, claims management and reinsurance);
- Accurate knowledge of the sources of insurance risks

Monitor insurance risk trends within the Company (such as adherence to existing limits) and outside the Company and submit reports on significant issues to the Company actuary;

- Implementing various controls and business plans to mitigate various insurance risks;
- understanding, implementing and ensuring compliance with regulatory requirements;
- Standard specifications related to insurance risk management;

### **Risk Governance Structure:**



The Company aims to establish a risk governance structure compatible with the risk management methods of leading global insurance companies.

**Level 1: Board of Directors:**

**Level 2: Board Committees:**

**Level 3: Risk Management Committee:**

**Level 4: Risk Management is concerned with the following:**

- 4-1: Product Development Risks
- 4-2: Subscription Risks
- 4-3: Claims Settlement Risks
- 4-4: Information Technology Risks
- 4-5: Pricing Risk
- 4-6: Liquidity Risk
- 4-7: Credit Risk
- 4-8: Interest Rate Risk
- 4-9: Corporate Governance Risks
- 4-10: Exchange rate risk
- 4-11: Reinsurance Risks
- 4-12: Reputation Risk
- 4-13: Country Risks
- 4-14: Risks of Non-Compliance
- 4-15: Money Laundering and Terrorist Financing Risks

**Level 5: Business Units:**

The risk management department is headed by a risk management manager who is assisted by a team of support staff whose number is determined from time to time according to the special needs of the Company.

The risk management manager shall have two reporting paths as follows:

- A) CEO.
- B) The Risk Management Committee

For day-to-day management issues, the risk management manager shall carry out his duties under the direct supervision of the CEO and the risk management as a whole is under the direction of the risk management committee.

**Basic general responsibilities for risk management:**

Internal risk control procedures shall be put in place and a comprehensive risk management strategy shall be adopted. This strategy takes into account market



conditions and the available expertise to address the correlative risks to which the Company is exposed. Risk reduction strategies can consist of the following:

- A) Avoidance of danger
- B) Acceptance
- C) Downsizing
- D) Transportation
- E) Benefit

Annual reviews shall be conducted to determine whether the Company has appropriately assessed the impact and likelihood of material risks, and limited risks and addressed them, including identifying lessons learned.

### **3- Internal audit responsibilities:**

The general duties and responsibilities of the internal audit department include, but are not limited to:

- Evaluating the effectiveness and efficiency of internal controls, policies and procedures, the Company's reporting mechanism, and the extent of compliance with them, and providing recommendations for improvement;
- Verifying compliance with internal policies, plans, procedures, standards, laws and regulations;
- Credibility, integrity and safety of financial and non-financial information and the means used to determine, measure, classify and report this information to the Audit Committee;
- Adequacy and effectiveness of systems design, review of implementation, performance and efficiency of operations;
  
- Ability to have complete, free and unrestricted access to all facilities, activities, data, systems, records, information and properties of the Company, and to meet any of its employees;

### **4- Role and responsibilities of the designated actuary / actuarial management**

The Company shall appoint an actuarial insurance expert after obtaining a no objection from the Saudi Central Bank, responsible for carrying out the responsibilities specified in accordance with the provisions of the executive



regulations of the Cooperative Insurance Companies Control Law and the provisions of the insurance actuarial business controls issued by the Saudi Central Bank.

Actuarial services refer to the professional services provided by the Company by an official acting as an actuarial insurance expert. These services include providing advice, recommendations, findings and opinions.

The Company shall establish an actuarial department in accordance with the controls of the actuarial business related to insurance commensurate with the size and quality of its business consisting of actuaries and others to ensure compliance with the requirements of the Saudi Central Bank in relation to the assets and liabilities of insurance contracts, technical prices, monitoring the adequacy of premiums, experience studies, capital adequacy, reinsurance and quantitative aspects of risk management as well as supporting the actuarial business.

To ensure that the appointed actuary provides objective and impartial advice, he shall act in good faith, sincerity and rationality, with care and diligence, in addition to issuing independent judgments in the interest of the Company and insurance policy holders, provided that he prioritizes the interest of the Company and policyholders irregardless any personal interest and avoids conflict of interests when performing his responsibilities.

The general roles and responsibilities of the responsible actuary / actuarial management include, but are not limited to:

- 1- Carrying out the work entrusted to him in accordance with the actuarial principles and standards issued by the actuarial association of which he is a member while being accountable to that association with regard to compliance with the controls of the actuarial work related to insurance and the instructions of the Saudi Central Bank;
- 2- Executing his duties honestly, honestly and efficiently, and avoiding conflicts of interest and providing unbiased and objective advice without concealing any facts related to the financial or technical situation of the Company and without intentionally giving incorrect information;
- 3- Failure to disclose the confidential information of the Company or that information obtained during the performance of his work, while he was at the job or after the completion of the work, unless this disclosure is to the Central Bank or in application of the relevant regulations or instructions;
- 4- Auditing all works performed on his behalf and take responsibility for them;



- 5- Maintaining his work records organized according to the professional standards of the Actuarial Association while maintaining complete confidentiality of the data. The records shall include copies of the documents that shall be submitted to the Company and the Saudi Central Bank, the basic data on which the records are based and the supporting calculations;
- 6- In the event that the appointed actuary is not an employee of the Company, the records referred to in Clause (5) above shall be kept for at least ten years with the Company from the date of the report to which the records or documents relate. It shall be available only to the designated actuary and his representative, and to the company, the Saudi Central Bank;
- 7- Ensuring that its work is in compliance with the financial reporting standards followed in the Kingdom.
- 8- Providing advice on any other matters in accordance with the instructions of the Board of Directors and senior management, provided that this does not conflict with its responsibilities as stipulated in these controls and the instructions of the Saudi Central Bank.
- 9- The appointed actuary and the actuarial management manager shall communicate with the Board of Directors, senior management, and internal and external auditors of the Company regarding the application of the provisions of these controls hand in hand with managing the activities of the actuarial management including overseeing the provision of training and financial development for the actuarial management;
- 10-10. Obtaining all required information from the former responsible actuary insurance expert;
- 11- Auditing the general financial position of the Company;
- 12- Evaluating the Company's capital adequacy;
- 13- Evaluating the Company's ability to fulfill its future obligations;
- 14- Pricing the Company's insurance products;
- 15- Determining and approving the technical provisions of the Company and recommending them in this regard;
- 16- Coordinating with the risk management officials on evaluating the results of the material risks and determining the appropriate management methods for those risks to mitigate their impact;
- 17- Evaluating the accuracy and adequacy of the reinsurance arrangements and the appropriate levels of risk retention;
- 18- Providing advice and recommendations to the Company's Board of Directors on formulating an appropriate investment policy, taking into account the



- nature of the maturity dates for the debts of insurance policyholders and the availability of appropriate assets;
- 19- Preparing the appropriate reports according to the financial reporting forms required by the Saudi Central Bank;
  - 20- Auditing the Company's subscription evidence;
  - 21- Providing advice on any other actuarial issues;

### **Chapter Seven: Senior Management**

The senior management is responsible for supervising the daily activities of the Company, without prejudice to any other supervisory or observing requirements, including but not limited to:

- Implementing the Company's strategic plans, main and interim work plans, investment policies and mechanisms, financing, risk management, and management emergency management plans and implementing them;
- Proposing the Company's capital structure, strategy and financial goals;
- Proposing major capital expenditures for the company and to own and dispose of assets;
- Proposing the organizational and functional structures of the company and submitting it to the Board of Directors for consideration for approval;
- Implementing the Company's Corporate Governance rules, and proposing to amend them when needed;
- Establishing the necessary policies and procedures to ensure the efficiency and effectiveness of the internal control system and its general supervision;
- Implementing a conflict of interest policy;
- Proposing a policy and the types of remuneration to be granted to workers;
- Proposing and developing internal policies related to the work of the company, including defining the tasks, specializations and responsibilities assigned to the various organizational levels;
- Proposing a clear policy for delegating business thereto and the manner of implementing thereof;
- Proposing the powers that are delegated thereto, the decision-making procedures and the duration of the delegation, provided that periodic reports are submitted to the Board of Directors on the practices of those powers;
- Managing and running the day-to-day activities of the Company, as well as managing its resources optimally and in accordance with the company's goals and strategy;



- Each senior management position shall have a documented and detailed job description that defines the roles, responsibilities, specifications, qualifications, reporting lines (dependency), the mechanism of interaction with other internal bodies, powers and authority limits. Members of the senior management have the necessary skills, knowledge and experience required to ensure that the Company's activities are managed in an effective and real way.
- The Saudi Central Bank shall be provided with information about the competence and qualifications of the members of senior management when requested by the Saudi Central Bank.
- Senior management provides the Board of Directors with a comprehensive view of management's performance;
- Saudis shall have priority in senior management positions, and in the event of a need for appointing a non-Saudi, the Company shall prove that there is no Saudi qualified to assume the required position based on appointment requirements to leadership positions issued by the Saudi Central Bank on September 2019.
- There shall be a need for the candidate to obtain the approval of the Company and to fulfill the non-objection of the Saudi Central Bank before accepting the nomination, assignment, re-assignment, appointment / or reappointment with any public or private entity or assuming any other responsibilities such as memberships in boards of directors, committees, or the like.



Saudi Arabian Cooperative Insurance Company (SAICO)

## **Corporate Governance Regulation**

### **After Amendment**

This regulation was updated by Board of Directors Resolution No. 131 dated 04/21/2024 AD and approved by the General Assembly on 00/00/2024 AD.



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## Chapter one: General Introduction

### **1- Preamble:**

This regulation sets forth the rules and standards governing Saudi Arabian Cooperative Insurance Co. (SAICO), a Saudi joint stock company, hereinafter referred to as “the Company,” in order to ensure adherence to the best governance practices that ensure protection of shareholders’ rights and protection of stakeholders’ rights, as it has been prepared in accordance with requirements of the Governance Regulations. Companies issued by the Capital Market Authority and amended on 01/18/2023 AD, in accordance with Insurance Companies Governance Regulations issued by the Insurance Authority on 10/22/2015 AD, in accordance with the Companies Law, rules for offering securities and continuing obligations, and the company’s articles of association.

### **2- The purpose of the regulation**

Improving and organizing the company’s governance environment, making its governance to a high degree of transparency, and emphasizing the company’s commitment to corporate governance by developing the following:

- An Administrative performance based on increasing the company's value and the ability to hold it accountable.
- An effective supervisory role in cooperation with executives in order to achieve interests of the company and shareholders, including minority investors, and seek to increase shareholders’ rights in appropriate ways.
- Disclosure of information, appropriate transparency, and existence of an effective internal control and risk management system.

The company must commit to disclosing in Board of Directors’ report provisions of the Governance Regulation issued by the Capital Market Authority and the Insurance Authority that have been implemented and provisions that have not been applied and the reasons for this.

The employees responsible for governance in the company have read and understood these regulations and that their responsibility for implementing them is considered a joint responsibility. Accordingly, they pledge themselves to confirm the company’s commitment to implementing all the articles contained therein.

### **3- Definitions:**

The words and phrases set out in this guide have the meanings given to them in the Capital Market Authority’s law and in list of terms used in the Capital Market Authority’s regulations and rules. For the purpose of applying this guide, the words and phrases set out below have the meanings shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

#### **A) Corporate governance:**

Rules for leading and directing the company include mechanisms to regulate the various relationships between Board of Directors, executive directors, shareholders and stakeholders. This clarifies special rules and procedures to facilitate the decision-making process and give it a transparency and credibility for purposes of protecting rights of shareholders and stakeholders, and achieving justice, competition, and transparency in the market and work environment.

#### **B) Executive member**

He is a member of Board of Directors who is dedicated to the company’s executive management and participates in its daily work

#### **C) Non-executive member**

He is a member of Board of Directors who is not dedicated to the company’s executive management and doesn't participate in its daily work

#### **D) Independent member:**

Non-executive board member who have complete independence in his position and decision, but he is not subject to any of the independence restrictions listed below, but are not limited to:

- 1- To be owner of five percent or more of the company’s shares or of another Company in its group, or to be related to someone who owns this percentage.
- 2- To have a direct or indirect interest in the business and contracts carried out on behalf of the Company.



- 3- To be related to any member of BOD of the Company or of any other Company in its group.
- 4- To be related to any of the senior executives in the Company or in another Company in its group.
- 5- To be a member of Board of Directors of another Company in the company's group Company for which the candidate is nominated for membership in its Board of Directors.
- 6- He works or worked as an employee during the past two years for any of any related party to the company or any company in its group, such as external auditors and major suppliers, or that he owned controlling shares in any of those parties during the past two years.
- 7- To receive sums of money from the company as well as remuneration for membership in Board of Directors or any of its committees in excess of 200,000 riyals or 50% of his remuneration in the previous year that he received in exchange for membership in Board of Directors or any of its committees, whichever is less. (Except for the amounts related to insurance contracts and remuneration that the member is entitled to for his membership in Board of Directors during the last two years.
- 8- To engage in any business that it would compete with the Company or to trade in any of the activities that the Company carries out.
- 9- To have served for more than nine (9) years, whether consecutively or separately, on the Company's Board of Directors.

**E) Relatives:**

- Parents, grandparents, and their ascendants
- Children and their descendants
- brothers and sisters or half brothers and sisters
- Husbands and wives

**F) stakeholders**

Everyone who has an interest with the company (such as shareholders, employees, creditors, customers, suppliers and the community)

**G) Minority shareholders:**

They are shareholders who represent a group that does not control the company so that they cannot affect it

**H) cumulative voting.**

A voting method for selecting members of the Board of Directors grants the shareholder with voting rights the number of such shares; so as to allow him to vote it out to one candidate or divide it between those chosen by the candidates without duplicating these votes

**4- Implementation date:**

As of approval date of each regulation by Board of Directors of the Company and General Assembly, as appropriate, in the event that no legislative amendments occur or in the company's policy that require amending the regulations, Board of Directors must evaluate and review them annually from date of their adoption.

**Chapter Two: Corporate Governance Commitment**

**1- Corporate Governance Regulation**

The company's governance structure is based on the following principles:

- **Accountability:** Governance allows the company to be accountable to all shareholders, and provides guidance to board of directors in how to set the company's strategy and management control.
- **justice:** The company pledges to protect the shareholders' interests and ensure to be fair with them, including minority investors.
- **Transparency:** The company affirms its commitment to timeliness and accuracy in process of disclosing all important information related to financial position, company's performance, ownership structure, and company's governance, through certain communication channels that can be easily accessed by all parties interested in the company.
- **Responsibility:** The company is aware of rights of all parties interested in the company set out in the bylaws and regulations, and also encourages joint cooperation between those parties.



All employees perform their work in accordance with all applicable rules and regulations, in addition to their commitment to standards related to ethical behavior that are specified in these regulations in ethical guide of conduct and relationship with stakeholders.

## 2- Internal Governance Regulation

The corporate governance structure, processes and practices are governed by the company's articles of association and the following internal regulations:

- Corporate Governance Regulation
- Ordinary General Assembly
- Board of Directors regulations
- Audit Committee regulations
- Nominations and Remuneration Committee regulations
- Executive Committee regulation
- Investment Committee regulation
- Risk Management Committee regulations
- Remuneration policy for members of Board of Directors, sub-committees and executive management
- Disclosure and transparency policy
- Internal control regulations
- Profits Distributions policy
- Ethical behavior and relationships with stakeholders guide
- Conflict of Interests policy
- Policies and procedures for nominating and appointing members of Board of Directors and committees emanating from it
- Social Responsibility policy.

These internal regulations were prepared in accordance with regulatory requirements in Saudi Arabia, in addition to the best international practices related to corporate governance.

## 3- Adherence to company governance policies and practices:

The Board of Directors, Audit Committee and Managing Director/CEO of the company are responsible for ensuring compliance and periodic review of company's governance policies and practices.

### Chapter Three: Best Practices for Board of Directors and Managing Director and CEO

Having a vigilant, specialized and independent Board of Directors is the basis for a good corporate governance law. The Board of Directors affects the company's performance through its supervision, guidance and oversight of the executive management in light of interest and benefit of shareholders. The company's executive managers play an important role in governance processes and effective cooperation between all parties and clear separation of powers are among the most important elements of successful governance.

#### 1- Board of Directors Governance

##### A) Authorities:

Essence of management powers is determined in the company's Articles of Association and board of directors regulations, in accordance with the legislative requirements in the companies' law, registration and listing rules, corporate governance



regulations issued by the Capital Market Authority Council, and insurance company governance regulations issued by the Insurance Authority.

**B) Size:**

The Board of Directors consists of appropriate number of members, not less than five members. This number has been determined by the company's Articles of Association and regulations of the Board of Directors. One of the most important considerations taken into account is the necessity of members having different competencies and skills.

**C) Election and termination of service of members:**

The General Assembly of shareholders elects members for a period not exceeding three years, and may be re-elected for similar periods, taking into account the period of the independent member. The General Assembly has the right to terminate service of the Board before the end of its term, and it may take this decision for all or some of the members.

**D) Board composition and independence of members:**

Composition of Board of Directors takes place in light of appropriate representation of all shareholders, the competencies and skills of the Board must be appropriate for its supervisory duties and for the development and follow-up of the management of the Company and its strategy. Each member must have the necessary experience, skills, and knowledge to carry out his duties effectively and to improve the Board's ability to achieve its long term goals for the company and its shareholders.

It is not permissible to combine position of Chairman of Board of Directors with position of General Manager or CEO. Therefore, the Chairman of the Board must be a non-executive member, and number of executive members on Board of Directors must not exceed a quarter of number of members, to ensure impartiality in decision-making and to achieve a balance of interests. Among all, it is not permissible for more than two members of Board of Directors to be executive members (from the executive branch) of the company, and the company is keen that these members are among those who do not have important relationships with the company other than their membership of Board of directors, in accordance with definition of them in the company's governance regulation in first Chapter, Paragraph (3), and that composition of Board of Directors reflects an appropriate representation of independent members. In all cases, number of independent members of the Board may not be less than two members or one-third of Board members, whichever is more. The company is also keen to do an induction program for members of Board of Directors when they join the Board of Directors.

**E) Board committees**

Board of Directors must form the following committees at a minimum

- Audit Committee
- Nominations and Remuneration Committee
- Executive Committee
- Investment Committee
- Risk Management Committee

Each committee must have its own regulation to determine its membership, powers, work procedures, and rights and responsibilities of its members. The chairpersons of the committee or their designated members must attend the general assemblies to answer shareholders' questions. The company must notify the Capital Market Authority of names of the committee members and their membership positions within five working days from the date of their appointment and any changes thereto within five working days from the changes date.

**F) Work procedures:**

Board of Directors shall meet according to a fixed schedule set at the first meeting after formation of the Board. This schedule helps the Board perform its duties effectively, according to this schedule, Board of Directors meets (4) four times a year or more as required by the business interest, provided that Detailed procedures related to preparing for Board of Directors meetings have been determined in Board of Directors' regulations, and all Board members receive complete information about the topics that will be discussed at the meeting. This information includes the agenda, minutes of the previous meeting, and the main indicators of the company's performance, which includes appropriate financial information prepared by the company's management with clear recommendations for decision-making, Board of Directors must keep detailed records of meetings that include Board discussions and results of voting on its decisions signed by Chairman of the Board of Directors and Secretary of the Board individually.

**G) Training and the possibility of consulting specialists:**

The company provides guidance programs for new members about nature of the company's activity and some other important matters, from outside the company when there is a need for that.

**H) Rewards:**

Remuneration of non-executive board members includes annual remuneration and fees for attending meetings (according to company's articles of association), provided that in all cases these remunerations do not affect their independence. Board of Directors,



through Nominations and Remuneration Committee, periodically reviews members' rewards, and the company also discloses these rewards in the annual report.

**I) Loans to board members:**

Personal loans may not be granted to the members of Board of Directors or members of the committees emanating from it.

**J) Duties and responsibilities:**

Members of Board of Directors perform their duties sincerely and with complete care in order to achieve interests of the company and all shareholders and not for the benefit of a specific group of them. All Board members are expected to attend all meetings of Board of directors and committees of which they are members, all of members are obligated not to use the internal information available to them for their personal benefit and to refrain from participating in events that could lead to a conflict of interest with the company. If this occurs, they are obligated to disclose it to rest of the members. Stakeholders must refrain from voting in board of directors on the related decisions. The company determined members' duties and responsibilities in the Board of Directors regulations.

**2- Managing Director Governance/ Chief Executive Officer**

The company understands that the daily management of company's activities requires effective leadership by company's Managing Director/CEO and his assistant managers, and working within a team is one of the best methods to meet the challenges facing the company.

**A) Authority**

The Managing Director/CEO and his assistant executive directors undertake daily management of the company and implement its objectives and strategy.

**B) Selection and termination**

Board of Directors selects Managing Director/CEO, and Managing Director/CEO, in turn, submits a proposal to Board of Directors about the executive directors it will appoint for approval. Board of Directors may terminate service of the Managing Director/CEO and his assistant executive directors at any time.

**C) Succession plans**

Board of Directors supervises preparation of a succession plan that demonstrates Board's effectiveness in dealing with loss of the company's key executives. To assist Board of Directors in this regard, Managing Director/CEO submits a list to Board of Directors that includes the appropriate individuals to replace the company's key executives.

**D) Duties and responsibilities:**

Managing Director/CEO shall perform his duties faithfully and with complete care to achieve interests of the company and all shareholders and not interests of a specific group of them. Managing Director/CEO and his assistant executive directors shall refrain from participating in events that could lead to a conflict of their interests with interests of the company, if this occurs they must disclose this to Board of Directors in accordance with controls of the company's conflict of interest policy.

**Chapter Four: Stakeholders' Rights:**

All shareholders have the right to participate in company's management and its profits, all rights have been organized and specified in the company's articles of association and internal rules and regulations.

**1- General Assembly**

The company has regulations of General Assembly of Shareholders that explains all procedures related to its preparation, management, and decision-making.

**A) Meeting and Agenda:**

General assembly shall be held at invitation of the Board of Directors, in accordance with conditions stipulated in the Companies Law, its executive regulations, and Company's Articles of Association. Board of Directors must call the Ordinary General Assembly to convene within thirty days from date of the request of auditor, audit committee, or a number of shareholders whose ownership represents at least (10%) ten percent of the company's shares that have voting rights. The auditor may call the ordinary general assembly to convene if the Board of Directors does not call it within thirty (30) days from the date of the auditor's request. Every shareholder is invited to participate and vote during the assembly. Date of the assembly, agenda and all information related to it shall be announced at least twenty-one days before the date or according to the period stipulated in the legislative regulations or any subsequent amendment thereto, so that shareholder can make decisions on the topics that are discussed in the assembly, and the



call shall be published on the website of market and company's website. In addition, the company may call for holding general and private assemblies of its shareholders by means of modern technology. The invitation shall include the agenda, and a copy of call and agenda shall be sent to the Capital Market Authority. The company's executive persons are responsible for these procedures and they shall be implemented by Secretary of Board of Directors. The company must have fair and effective ways to submit proposals and topics contained in the agenda, as well as proposals that include nominating members of Board of Directors. Upon preparing the agenda, Board of Directors must take into account topics that the shareholders wish to include on the agenda of meeting, and shareholders who have a percentage of (10%) at least ten percent of the company's shares that have voting rights is to add one or more topics to the General Assembly 's agenda when it is prepared. The agenda may not be changed or amended after its approval by Board of Directors.

#### **B) Ordinary General Assembly Management:**

The company follows all necessary methods to facilitate participation of shareholders in the general assembly and in voting on the topics included in the agenda. Venue of the assembly is determined so that the majority of shareholders can easily reach it. Registration procedures must be appropriate and the company's executive individuals assist shareholders in exercising their voting rights in the event that they are unable to do so. Shareholders are excluded from actual attendance of the assembly by granting these shareholders right of written proxy to other individuals other than members of Board of Directors and other than company's employees, or through the remote voting service in accordance with controls and procedures of the Capital Market Authority. The company emphasizes necessity of presence of both members of Board of Directors and executive directors, Chairman of the Audit Committee and external auditors of the General Assembly, with aim of answering any questions or inquiries from shareholders. Every shareholder has the right to discuss and submit questions and inquiries related to the topics included in the agenda. Chairman of the General Assembly manages the meeting fairly, professionally and with experience and the voting process is conducted confidentially. The company must have effective mechanisms for voting process that guarantee protection of the rights of minor shareholders from unfair behavior and these mechanisms must be organized and specified in the company's article of association and regulations of the general assembly of shareholders. The procedures used to count votes in the general assembly must be transparent and do not include any possibilities would affect results of the vote, and Board of Directors must separate each topic on the General Assembly's agenda into a separate item, not combine fundamentally different topics under single item, and not place works and contracts in which any member of Board of directors has a direct or indirect interest within single item

#### **C) Results:**

The voting results shall be distributed to shareholders at end of the General Assembly meeting or as soon as possible after end of the meeting. They must also release it publicly by placing it on the company's website and on Tadawul website. The company shall provide the Capital Market Authority with a copy of minutes of the meeting within (ten) days from date of the meeting.

#### **2- Related Party Transactions:**

The company discloses appropriate information related to transactions with related parties, including information about degree of kinship with members of board of directors or company's officials.

#### **3- Profits Distribution Policy:**

The company has prepared and follows a special regulation for dividend distribution policy in order to achieve interests of shareholders and company. The company must enable shareholders to review this policy at the general assembly meeting and refer to it in Board of Directors' report. Objectives of the dividend policy are as follows:

- Set a clear, understandable and predictable mechanism for determining distribution value.
- Ensure that distribution payment procedures are easy and effective.
- Ensure that the declared distribution is paid in its full value and according to payment dates.

### **Chapter Five: Transparency and Disclosure of Information:**

Transparency, accuracy and timeliness of information disclosure shall be considered basic principles of corporate governance.

#### **1- Disclosure policy and practice:**



The company discloses all important information and provides shareholders with free access to it. This information contains the company's financial position, performance, ownership structure, and governance structure, and confirmation that Board of Directors has prepared and approved transparency and Information Disclosure Regulations, and the company publishes its full annual report, which contains a special part of company's governance, and it discloses the company's governance practices, its schedule of events, and important information on its website at appropriate times.

## **2- Financial Statements preparation:**

The company maintains accounting records and prepares complete financial statements in accordance with accounting standards adopted in Saudi Arabia and discloses them in the annual report and on the company's website. It also discloses interpretations related to the financial statements so that user of those lists can assess the company's performance. The reports of Board of Directors, external auditors and audit committee are considered complementary to those financial information.

## **3- Control and Audit Committee:**

Duties and responsibilities of the Audit Committee are represented in three basic topics: Supervising preparation of financial reports. Risk management, internal and external audit. The Committee consists of non-executive members who have appropriate experience in financial matters and powers, responsibilities, business procedures and committee's procedures have been listed in its own regulations.

## **4- External Audit:**

External auditors review the company's financial statements. They are considered independent from company's management and shareholders, and are chosen by the general assembly of shareholders after being nominated by Board of Directors based on recommendation of the Audit Committee.

Company's review term carried out by the audit office must not exceed five continuous years. A period of two years must expire before the audit office is reappointment.

## **5- Ownership Structure:**

The company confirms on the need for shareholders who own more than 5% of the company's shares to disclose it.

## **Chapter Six: Control functions:**

### **1- Control compliance Responsibilities**

Task of adhering must start from top of the pyramid (Board of Directors) and include senior management and all employees so that compliance is an integral part of the company's work and culture, as adherence to regulations, standards and instructions is one of the most important foundations and factors for success of financial institutions and preserves their reputation and credibility and shareholders' interests and customers, provides them protection from statutory penalties as it is a comprehensive, multi-faceted responsibility on all parties in the company, starting with Board of Senior Directors and ending with all employees, each according to his powers and tasks assigned to him.

Compliance monitoring requires full and direct support of senior management. Compliance management must be completely independent and has the authority to access information, documents and records, no matter how confidential they are, and it is not assigned any tasks that hinder or affect its independence and progress of its works, whether through external interference or from other departments. Compliance management is directly linked to the audit committee and submits its periodic reports. It may contact the Insurance Authority directly and provide it with information according to the determined procedures.

One of the main principles of compliance is the collective responsibility of all company employees. The compliance management performs various tasks, including:

- 1- Make Compliance Policy
- 2- Providing proactive advice to senior management.
- 3- Identify regulatory requirements and create a database for them.
- 4- Communicating with business departments and senior management and informing them of regulatory requirements continuously.
- 5- monitoring implementation of these laws and instructions by business departments.
- 6- Reporting violations and developing corrective plans in conjunction with business departments.



- 7- Providing training and awareness programs for compliance and Anti-money laundering and terrorist financing.
- 8- Follow up on resolving all non-compliance problems discovered by regulatory authorities.
- 9- Working with supervisory and regulatory authorities to address risks of non-compliance.
- 10- Informing senior management and executive management about risks of non-compliance received from regulatory authorities.
- 11- Submitting periodic reports to the Audit Committee, as well as to the senior and executive management, detailing fundamental compliance violations such as violations of regulations and instructions received from regulatory authorities, and statutory penalties or fines imposed on the company.
- 12- Establish an effective compliance environment.
- 13- Ensuring that all company policies and procedures are compatible with regulatory instructions
- 14- Activating the principle of warning signs (Alarm) to alert to violations of regulations, internal and external deviations, and situations that expose the company to non-compliance risks.

## **2- Responsibilities and structure of risk management department**

Board of Directors and senior management are responsible for evaluating the risks to which the company is exposed. However, for daily management purposes, responsibility on head of the Risk Management Department, as Risk Management Department is responsible for the following important risk management tasks with regard to insurance risks:

- Implementing the risk management strategy approved by Board of Directors.
- Set an emergency plan to ensure business continuity
- Independence of risk management from all operational departments of the company must be ensured.
- Policy- making for insurance risks (including underwriting, reserves, claims management, and reinsurance).
- Accurate knowledge of insurance risks' sources.
- Identifying emerging risks and proposing corrective steps to mitigate and control them.
- Monitor insurance risk trends within the company (such as adherence to existing limits) and outside the company and report important issues to the company actuary.
- Implementation of various controls and action plans to mitigate various insurance risks.
- Understand, implement and ensure compliance with regulatory requirements.
- Reassessing the company's risk tolerance and periodic exposure to risks, for example, through conducting stress tests) For example periodically.
- Coordinating with senior management to ensure the effectiveness and efficiency of the company's risk management system.

Risk governance structure:

The company aims to establish a risk governance structure consistent with risk management methods of leading global insurance companies

**Level 1: Board of Directors:**

**Level 2: BOD Sub-Committees:**

**Level 3: Risk management committee:**

**Level 4: Risk management means the following:**

- 4-1: Product development risks.
- 4-2: Underwriting risks.
- 4-3: Claims settlement risks
- 4-4: Information technology risks
- 4-5: Pricing Risks.
- 4-6: Liquidity risk
- 4-7: Credit Risks
- 4-8: Commission rate risks



- 4-9: Corporate Governance Regulations
- 4-10: Exchange rate risk
- 4-11: Reinsurance risks
- 4-12: Reputation risk
- 4-13: Country Risk
- 4-14: Non-compliance risks
- 4-15: Anti-Money Laundering and Terrorism Financing

#### **Level 5: Working units:**

Risk management department is presided by a risk manager and is assisted by a team of support staff, Number of which is determined from time to time according to company's special needs.

The risk manager must have two reporting tracks as follows:

- a) CEO
- b) Risk management committee:

Regarding daily management issues, Director of Risk Management must carry out his duties under direct supervision of the CEO, and risk management as a whole is under direction of the Risk Management Committee.

#### **Main general risk management responsibilities:**

Internal risk control procedures must be established and a comprehensive risk management strategy must be adopted. This strategy must take into account market conditions and available experience to address related risks to which the company is exposed. Risk reduction strategies can consist of the following:

- a) Risk aversion
- b) Acceptance
- c) Reduction
- d) Transportation
- e) Benefit

Annual reviews should be conducted to determine whether the company has appropriately assessed impact and probability of material risks, and mitigated and addressed the risks, including identifying lessons learned.

#### **3- Internal Audit responsibilities:**

General tasks and responsibilities of Internal Audit Department include, but are not limited to:

- Evaluate effectiveness and efficiency of the company's internal controls, policies and procedures, company's reporting mechanism and extent of compliance with them and provide recommendations to improve it.
- Verify compliance with policies, plans, procedures, standards, laws and internal regulations.
- Credibility, integrity and integrity of financial and non-financial information and the means used to identify, measure and classify it and report this information to the Audit Committee.
- Adequacy and effectiveness of systems design, review of their implementation and performance, and efficiency of operations.
- Ability to access completely, freely without restrictions to all the company's facilities, activities, data, systems, records, information and property, and to meet any of its employees.

#### **4- Role and responsibilities of the appointed actuary/actuarial department**

After obtaining a non-objection from the Insurance Authority, the company appoints a responsible actuary to carry out the specified responsibilities in accordance with provisions of executive regulation of the cooperative insurance companies control law and provisions of controls for actuarial work related to insurance issued by the Insurance Authority.

Actuarial services refer to professional services provided to the company by an official acting as an actuary, these services include providing advice, recommendations, results and opinions.

The company must establish an actuarial department in accordance with controls of actuarial work related to insurance, commensurate with size and type of its business, consisting of actuaries and others to ensure compliance with requirements of the Insurance Authority with regard to assets and liabilities of insurance contracts, technical prices, monitoring adequacy of premiums, experience studies, capital adequacy, reinsurance, and quantitative aspects of risk management to support actuarial work.



To ensure that the appointed actuary provides objective and unbiased advice, he must act in good faith, honesty, and rationality, while exercising care and diligence and making independent judgments in interest of the company and insurance policyholders. He must put interest of the company and policyholders before any personal interest and avoid conflicts of interest when performing his responsibilities.

General roles and responsibilities of the actuary in charge/actuarial department include but are not limited to:

- 1- Carrying out the work assigned to him in accordance with actuarial principles and standards issued by the Actuarial Society of which he is a member. Be accountable before that association with regard to adherence to actuarial controls related to insurance and instructions of the Insurance Authority.
- 2- Carrying out his duties honestly and efficiently, and avoiding conflicts of interest. Providing objective, unbiased advice, not hiding any facts related to financial or technical situation of the company, and not intentionally giving incorrect information.
- 3- Not to disclose confidential information related to the company or information that he obtained while performing his work while he was on the job or after completing it, unless this disclosure is to the Insurance Authority or in implementation of the relevant regulations or instructions.
- 4- Review all work completed on his behalf and take responsibility for it.
- 5- Maintaining his work records organized according to professional standards of the Actuarial Society while maintaining complete confidentiality of data. The records must include copies of documents that must be submitted to the company and to the Insurance Authority, the basic data on which the records are based and the supporting calculations.
- 6- If the appointed actuary is not an employee of the company, the records referred to in Clause (5) above must be kept for at least ten years at the company from date of the report to which the records or documents related. It must be available only to the appointed actuary and his representative, the company and the insurance authority
- 7- Ensuring that its work is consistent with financial reporting standards followed in Saudi Arabia.
- 8- Providing advice on any other matters in accordance with instructions of Board of Directors and senior management, provided that this does not conflict with its responsibilities as stipulated in these controls and the instructions of the Insurance Authority.
- 9- The appointed actuary and Director of the Actuarial Department must communicate on application of provisions of these controls with Board of Directors, senior management and company's internal and external auditors, and manage activities of the actuarial department, including supervising provision of training and professional development for the actuarial department.
- 10- Obtain all required information from the former responsible insurance actuary.
- 11- Review the company's general financial position.
- 12- Evaluating the company's capital adequacy.
- 13- Evaluating the company's ability to meet its future obligations.
- 14- Pricing the company's insurance products.
- 15- Determine and approve the company's technical allocations and make recommendations regarding them.
- 16- Coordinating with risk management officials to evaluate results of significant risks and determine appropriate management methods for those risks to mitigate its effect.
- 17- Evaluating accuracy and efficiency of reinsurance arrangements and appropriate levels of risk retention.
- 18- Providing advice and recommendations to the company's Board of Directors on formulating an appropriate investment policy, taking into account nature of the maturity dates of insurance policyholders' debts and availability of appropriate assets.
- 19- Preparing appropriate reports according to financial reporting models required by the Insurance Authority.
- 20- Review the company's underwriting manuals
- 21- Providing advice on any other actuarial topics.



## **Chapter Seven: Executive Management**

Senior management shall be responsible for supervising the company's daily activities which includes, but is not limited to, the following without prejudice to any other regulatory or supervisory requirements:

- A. Implementing the company's strategic plans, main and interim work plans, investment policies and mechanisms, financing, risk management, and plans for managing emergency administrative conditions and its implementation.
- B. Establishing appropriate procedures to identify, measure, reduce and monitor risks.
- C. Proposing the company's capital structure, strategy and financial objectives.
- D. Proposal for major capital expenditures of the company, owning assets, and dispose of them.
- E. Proposing the company's organizational and functional structures and submitting them to Board of Directors for approval.
- F. Implementing the company's governance rules, relevant regulations and policies, and proposing to amend them when needed.
- G. Establishing the necessary policies and procedures to ensure efficiency and effectiveness of internal control system and general supervision thereof.
- H. Proposing a policy and types of rewards granted to workers.
- I. Proposing and developing internal policies related to the company's work, including determining tasks, powers, and responsibilities assigned to the various organizational levels, and ensuring that all regulatory and supervisory requirements are met to the greatest extent possible.
- J. Proposing a clear policy for delegating work to these organizational levels and method of implementation.
- K. Proposal of competence assigned to it, Decision-making procedures and assignment period, provided that periodic reports are submitted to Board of Directors on its exercise of those powers.
- L. Managing and running the company's daily activities, as well as managing its resources optimally in accordance with the company's goals and strategy.
- M. Each position in senior management shall have a documented and detailed job description that specifies roles, responsibilities, specifications, qualifications, lines of reporting (Provisional), mechanism of interaction with other internal entities, powers, and limits of authority.
- N. Members of senior management have the necessary skills, knowledge and experience required to ensure that the company's activities are managed in an effective and prudent manner. The Insurance Authority must be provided with information about competence and qualifications of members of senior management when the Insurance Authority requests it.
- O. Senior management provides Board of Directors with a comprehensive overview of management performance.
- P. Priority in senior management positions shall be given to Saudi citizens, in the event of a need to appoint a non-Saudi citizens. the company must prove unavailability of a qualified Saudi citizen to fill the required position based on requirements for appointment to senior positions issued by the Insurance Authority.
- Q. The candidate must obtain the company's approval and obtain the insurance authority's non-objection before accepting nomination, assignment/or reassignment, appointment/or reappointment to any public or private entity, or assuming any other responsibilities such as membership in boards of directors, committees, or the like.
- R. Preserving documents, reviewing accounts, working in accordance with directives of Board of Directors and submitting reports to it.



**Saudi Arabian Cooperative Insurance Company (SAICO)**

**Saudi Joint Stock Company**

**Regulation of the Board of Directors**

**Before Amendment**



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### **Article (1): General Introduction**

The regulation of the Board of Directors of the Saudi Arabian Cooperative Insurance Company, a Saudi joint stock company, has been prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Markets Authority as amended on May 20, 2019 AD and in accordance with the Companies Law, the rules for offering securities and on-going obligations, and the Insurance Corporate Governance Regulations issued by the Saudi Central Bank on October 22 2015 AD and the Company's Articles of Association.

### **Article (2): Powers and Functions of the Board of Directors**

- 1- The Board of Directors determines the powers it imposes on the executive management, the decision-making procedures and the duration of the delegation, and determines the issues that it retains the authority to decide on. Then the executive management shall submit periodic reports on its exercise of the delegated powers.



- 2- The Board of Directors shall ensure that procedures for introducing new Board members to the Company's work, especially the financial and legal aspects, as well as training them if necessary are laid down.
- 3- The Board of Directors is the governing body of the Company and is responsible for setting the overall strategy of the Company and its main objectives, directing and controlling the performance of the Company's executive management and taking decisions on issues that do not fall within the powers of the General Assembly of shareholders.
- 4- The authority of the Board of Directors in relation to the Company's strategy includes, but is not limited to:
  - A) Directing, developing and following up the overall strategy of the Company and its main objectives, which contain the financial and operational plans of the Company, in light of the recommendations submitted by the Company's executives
  - B) Appointing and monitoring the performance of the Company's Managing Director / Chief Executive Officer;
  - C) Establishing, directing and reviewing the risk management policy;
  - D) Determining the optimal capital structure of the Company, its strategy and financial objectives, and approving annual budgets;
  - E) Overseeing the main capital expenditures of the Company, and the acquisition and disposal of assets;
  - F) Setting performance targets and monitoring the overall implementation and performance of the Company;
  - G) Periodic review and approval of the organizational and functional structures of the Company;
- 5- The authority of the Board of Directors with regard to internal control includes the following:
  - A) Establishing a written policy that regulates conflict of interest and addressing potential conflict situations for both members of the Board of Directors, executive management and shareholders, including misuse of Company assets and facilities, and misconduct resulting from dealings with related persons;
  - B) Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports;
  - C) Ensuring the implementation of appropriate control systems to manage risks, by defining the public perception of the risks that the Company may face and presenting them with transparency;



- D) Annual review of the effectiveness of the Company's internal control procedures;
- 6- The powers of the Board of Directors with regard to the preparation and management of the General Assembly of shareholders are determined in accordance with the regulations of the General Assembly of shareholders.

### **Article (3): Formation of the Board of Directors**

- 1- The Company shall be managed by a board of directors composed of (5) at least five members and not more than (11) members.
- 2- The General Assembly appoints the members of the Board of Directors, provided that the membership period does not exceed three years. Members of the Board of Directors may be reappointed for other periods, provided that the term of appointment of the independent member does not exceed (9) years.
- 3- It is prohibited for a member of the Board of Directors to be a partner or an executive director or hold a membership in a board of directors in another company that competes with the Company.
- 4- The majority of the members of the Board of Directors shall be non-executives, and the number of independent members shall not be less than two members or one third of the members of the Board, whichever is greater.
- 5- It is not permissible to combine the position of Chairman of the Board of Directors with any executive position in the Company
- 6- Members of the Board of Directors shall not simultaneously hold membership in the boards of directors of other listed joint stock companies more than what is permitted by law.
- 7- The Board of Directors shall consist of members who possess the necessary qualifications and experience to be able to perform their duties.
- 8- The CEO may not be appointed as the Chairman of the Board of Directors of the Company during the first year after the end of his services.
- 9- The Company shall notify the Authority of 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 session of the Board of Directors or from the date of their appointment - whichever is earlier and any changes to their membership within five working days from the date of the changes occurring.



#### **Article (4): Nomination for Membership of the Board of Directors**

- 1- A member of the Board of Directors shall be of professional competence who possesses the necessary experience, knowledge, skill and independence, taking into account the availability of leadership ability, competence, ability to direct, financial knowledge and health fitness.
- 2- Any shareholder has the right to apply for his candidacy or another person or more for membership of the Board of Directors, within the limits of his ownership percentage in the capital, subject to any subsequent regulatory amendments.
- 3- The Company shall receive nominations from the shareholders at least thirty (30) days before the date of the General Assembly in which the new Board members will be elected.
- 4- The Board of Directors has the right to add candidates in the event that the list of candidates submitted by the shareholders is incomplete.
- 5- The candidate for membership of the Board of Directors can submit his nomination documents through:
  - A) Registered mail, address, Company's headquarters, attention of the shareholder relations officer;
  - B) Hand over directly to the Nomination and Remuneration Committee secretary and obtain a receipt;
- 6- The nomination documents shall include in writing the following:
  - A) The candidate's full name and date of birth;
  - B) The academic certificates obtained by the candidate, the date on which each certificate was obtained, and the educational authority that granted it;
  - C) The candidate's professional experience, including the positions held during the past ten years;
  - D) A list of companies and entities to which the candidate belongs or has interests in them;
  - E) A list of the candidate's relatives from the Company executives and its subsidiaries, indicating the degree of kinship, if any;
  - F) The candidate shall have honesty, knowledge of financial and insurance matters, and the experience necessary to perform his duties.
- 7- The Board of Directors, through the Nominations and Remuneration Committee, shall review the submitted nominations and identify the candidates who are included in the list of candidates within two weeks of the date specified in Article 4, Paragraph (3).



- 8- It is not permissible for a legal person who has the right, according to the Company's regulation, to appoint his representatives to the Board of Directors, to vote on testing candidates for membership in the Board of Directors.

#### **Article (5): Electing and Terminating the membership of the Board of Directors**

- 1- The General Assembly of shareholders elects members for a period of three years, and members of the Board of Directors may be reappointed for other periods, provided that the term of appointment of the independent member does not exceed (9) years.
- 2- The General Assembly of shareholders has the right to terminate the membership of the Board before the expiry of its term for all board members.
- 3- If the position of one of the members of the Board of Directors becomes vacant, the Board may temporarily appoint a member in the vacant position who has sufficient experience and after obtaining the non-objection of the Saudi Central Bank without considering the arrangement for obtaining votes in the General Assembly through which the Board of Directors was elected. The Financial Markets Authority shall be notified of this within (5) business days from the date of appointment, provided that this appointment is presented to the Ordinary General Assembly at its first meeting after appointment, and the new member completes the term of his predecessor only.
- 4- If the number of members of the Board of Directors falls below the minimum of four, the Ordinary General Assembly shall be called as soon as possible to appoint the necessary number of members and until this is completed, the remaining members may not take any decisions.
- 5- Upon the termination of membership of a member of the Board of Directors by any of the methods of terminating the membership, the Company shall notify the Capital Markets Authority and the Saudi Central Bank with a statement of the reasons that called for this, except for the end of the session of the Board and taking into account the relevant disclosure requirements.
- 6- The Company's Articles of Association defines the voting method in the shareholders' assemblies, and the cumulative vote shall be used in the election of the Board of Directors.



#### **Article (6): Chairman of the Board of Directors**

- 1- The Chairman of the Board of Directors shall be elected by the members by the majority of votes after obtaining the no objection of the Saudi Central Bank. The Board appoints a deputy after obtaining a no-objection letter from the Saudi Central Bank.
- 2- It is not permissible to combine the position of Chairman of the Board of Directors with the CEO / Managing Director of the Company.
- 3- The Board of Directors has the right to terminate the work and reappoint the Chairman of the Board at any time, with the majority of the members' votes
- 4- The Chairman of the Board of Directors shall, for example, but not be limited to:
  - A) Organizing the work of the Board of Directors, and providing an appropriate atmosphere for an exchange of views and open discussion among all the members on the topics included in the agenda;
  - B) Arranging the dates for holding and calling for Board meetings, preparing the agenda and chairing the meetings, and organizing the voting process for decisions;
  - C) Organizing and signing meeting minutes;
  - D) When receiving the nominations for the position of Managing Director, he checks the validity of the candidate for that position;
  - E) Presiding over the general assembly of shareholders;
  - F) Supervising the preparation of the Board of Directors' report, which is considered among the contents of the Company's annual report, on the activities of the Board during the past year;
  - G) Representing the Company in front of others in accordance with what is stipulated in the Companies Law, its Executive Regulations, and the Company's Articles of Association;
  - H) Ensuring that members of the Board of Directors have access to timely, complete, clear, correct and not misleading information;
- 5- In the event that the Chairman of the Board of Directors is absent from one of the meetings, the meeting shall be chaired by the deputy of the Board or whomever the Chairman of the Board delegates to do so, or whoever is chosen from among the members of the Board by the majority of the votes of the members attending the meeting.
- 6- The Ordinary General Assembly shall be notified at its convening of the business and contracts in which one of the members of the Board of Directors has a direct or indirect interest in it, provided that this notification



includes the information provided by the member to the Board of Directors in accordance with paragraph 14 of Article 30 of the Corporate Governance Regulations issued by the Financial Markets Authority, and that this notification shall be accompanied by a special report from the Company's external auditors.

- 7- Duties of the Independent Member: Subject to Article (30) of the Corporate Governance Regulations issued by the Capital Markets Authority, an independent member of the Board of Directors shall actively participate in the performance of the following tasks:
  - A) Giving independent opinion on strategic matters, Company policies, and performance, and appointing members of the executive management;
  - B) Ensuring that the interests of the company and its shareholders are taken into consideration and present them when any conflict of interest arises;
  - C) Overseeing the development of the Company's Corporate Governance Rules and monitoring the implementation of them by the executive management;

#### **Article (7): Meetings of the Board of Directors**

- 1- Meetings of the Board of Directors shall be held upon the request of the Chairman of the Board of Directors as required by the interest of work, provided that the number of annual meetings of the Board shall not be less than (4) four meetings, so that there is at least one meeting every three months. The Board also meets upon a written request from the following:
  - A) The external auditors;
  - B) two of its members;
- 2- The notice of the date, place and date of the meeting of the Board of Directors, together with the agenda and the information on the listed subjects, shall be sent by registered mail or delivered to all members of the Board and the persons stipulated in Article (7) Paragraph (1) if they are requested to invite the Board to convene during a period of less than five days before the date of the meeting.
- 3- A minimum quorum for Board meetings is four members.



- 4- A member of the Board of Directors may delegate another member of the Board of Directors and vote on decisions in meetings, provided that the delegation is in writing and that it is for one member.
- 5- Board decisions are taken by the majority of votes, and in the event of a tie, the decision approved by the Chairman of the Board shall prevail.
- A) Decisions regarding approving transactions with related parties shall be taken by a majority vote of other members who do not have personal interests in those transactions. In the event that they have personal interests, such transactions shall be approved at the first subsequent meeting of the General Assembly.
- 6- The Board may invite the Executive Directors to attend any of the Board meetings

#### **Article (8): Board Meeting Minutes**

- 1- The Secretary of the Board of Directors prepares the minutes of the Board meetings.
- 2- The minutes shall include the following information:
  - A) The name of the Company and the address of its headquarters;
  - B) Place, date and time of the meeting;
  - C) The members who attended the meeting and its quorum;
  - D) The topics voted and the result of the vote;
- 3- The Board meeting minutes shall be signed by the Chairman who is responsible for their accuracy, and also signed by all the members who attended the meeting and the secretary of the Board of Directors.
- 4- The Company shall provide the minutes of the meetings of the Board of Directors, the external auditors, the supervisory authorities as well, and the shareholders if they so request.
- 5- The Company shall keep the minutes of the meetings of the Board of Directors at the Company's headquarters.

#### **Article (9): Board Committees**

- 1- The Board of Directors establishes subordinate committees to discuss and review most of the issues that fall within its powers.
- 2- The Board shall form the following committees:
  - A) Audit Committee;



- B) Nomination and Remuneration Committee;
  - C) Executive Committee;
  - D) Investment Committee;
  - E) Risk Management Committee;
- 2- The Board committees may seek the services of experts and specialists, provided that the Board of Directors determines their fees.
- 3- The invitation to convene the committee meetings is issued by the Chairman of the concerned committee or one of its members, or by a decision of the Board of Directors
- 9- The results of the committees are expressed by taking written decisions signed by all the committee members attending the meeting and presented to the Chairman of the Board of Directors.
- 10- All decisions and opinions taken by the committees are recommendations to the Board of Directors.
- 11- A sufficient number of non-executive Board members shall be appointed in the committees concerned with the tasks that may result in conflict of interest situations, such as ensuring the integrity of financial and non-financial reports, reviewing the deals of related persons, nominating for membership of the Board of Directors, appointing executive directors, and determining remuneration.

#### **Article (10): Remuneration of Board Members**

Within the powers of the General Assembly of shareholders is the power to determine and approve the fees that Board members receive in return for their service in the Board or its committees.

The remuneration of the Chairman and members of the Board of Directors for the services they perform shall be (150,000) one hundred and fifty thousand Saudi riyals annually, and the Chairman and each member are paid an amount of (3,000) three thousand Saudi riyals for each meeting he attends from the Board meetings and an amount of (1,500 riyals) (One thousand five hundred Saudi riyals) for each meeting of the committees emanating from the Board of Directors he attends.

The Company also pays each of the Chairman and members of the Board of Directors the actual expenses they incur in order to attend Board or committee meetings, including travel, accommodation and accommodation expenses. In all cases, the total disbursements to the Chairman and members of the Board of Directors may



not exceed 500 thousand riyals. The company shall ensure that all written details of the proposed remunerations and compensations are sent to all shareholders prior to the holding of the General Assembly in which these remunerations and compensation are put to a vote. The Company shall also ensure that the General Assembly approves the terms of remuneration and compensation in a general assembly in which the concerned Board member or a senior executive does not have the right to vote on these conditions. Remuneration for members of the Board of Directors may be modified with the approval of the Extraordinary General Assembly of shareholders. If more than one meeting coincides with the same day and place, the compensation for the above-mentioned expenses is paid only once for each member.

Annual fixed rewards are paid on the basis of the member's attendance rate at the meetings. Fixed remuneration are paid for attending the meetings for each meeting.

#### **Article (11): The Role and Responsibilities of the Secretary of the Board of Directors**

The Board of Directors appoints a secretary for the period of the Board's session, to coordinate the work of the Board and provide support and assistance to the members. The secretary can be a member of the Board or employees of the Company, and the secretary of the Board of Directors may not be dismissed without a decision by the Board of Directors.

The secretary of the Board shall have sufficient experience and knowledge of the Company's business and activities, have good communication skills, and be familiar with the relevant laws and regulations and the best practices in the field of Corporate Governance.

The duties of the Board secretary include, but are not limited to:

- 1- Board meetings shall be coordinated and ensure the availability of appropriate means of communication for exchanging and recording information between the Board and its committees and between the executive board members and non-executive members and keeping the minutes of the board meetings. Board meeting minutes are the permanent official record of the actions and decisions taken by the Board and the committees emanating from it. Accuracy shall be taken into account in preparing the minutes of the meeting, and they shall clearly reflect all the



- items and topics raised in the meetings of the Board of Directors, the decisions taken, and any other topics discussed.
- 2- The minutes of the Board of Directors shall document any voting process that took place during the meeting, including opposition and abstention from voting. Any documents or instruments referred to during the meetings shall be attached or referred to, in addition to a statement that includes the names of the present and absent members, a list of the approved committees and any abstention from voting (if any) for any member and its reasons.
  - 3- The Secretary of the Board of Directors shall inform the members of the Board of the meeting dates, provide them with agendas and relevant documents, and ensure that they are delivered before the meeting within a period not less than (10) working days.
  - 4- The meeting minutes shall be distributed to the parties concerned within a period not exceeding fifteen (15) days, with the identification of the person or entity responsible for implementing the taken decisions. At the beginning of each year, the Board shall set a specific timetable for receiving reports from the concerned committees, the internal auditors and the external auditors, and ensure that the mechanism for collecting, preparing and submitting reports is sound and consistent with the approved internal policy, including preparing important information and presenting it to the board at its specified time.
  - 5- It is necessary to take into account the coordination and arrangement of holding the ordinary and extraordinary general assemblies, preparing the provisions and minutes related to them and the requirements of disclosure and relevant announcements.
  - 6- The register of disclosures for the members of the Board and the executive management shall be organized in accordance with the provisions of Article (92) of the Governance Regulations issued by the Capital Markets Authority.
  - 7- Aid and advice should be provided to the members of the Board of Directors.
  - 8- Coordination should be made to prepare the annual report of the Board of Directors.

The Secretary of the Board of Directors shall meet the following as a minimum:

- 1- He shall have a university degree in law, finance, accounting, administration, or the equivalent thereof;
- 2- He shall have relevant work experience of at least five years;



Saudi Arabian Cooperative Insurance Company (SAICO)

## **Board of Directors Regulation**

### **After Amendment**

The regulation was updated by Board of Directors Resolution No. 131 dated 21/04/2024 and approved by the General Assembly on 00/00/2024 AD



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**Article (1): General Introduction:**

The regulation of the Board of Directors of the Saudi Arabian Cooperative Insurance Company, a Saudi joint stock company, was prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority, amended on 01/18/2023 AD, and in accordance with the Companies Law, the rules for offering securities and continuing obligations, and the Governance Regulations for Insurance Companies issued by the Insurance Authority dated 2015. /10/22 AD and the company's Articles of association.

**Article (2): Powers and Responsibilities of Board of Directors**

- 1- The board of directors defines the authorities delegated to the executive management, decision-making procedures, the duration of delegation, and specifies the matters it retains decision-making authority over. The executive management submits regular reports on exercising delegated authorities. Additionally, the board forms the company's executive management, regulates its operations, oversees it, verifies its performance of assigned tasks, evaluates it, and accordingly:
  - A) Establishing clear and transparent written administrative, financial policies, and procedures is essential.
  - B) Verifying that the executive management operates in accordance with the approved policies is crucial.
  - C) Selecting and appointing the CEO of the company, supervising their work, and monitoring and evaluating their performance are important responsibilities.
  - D) Appointing the Internal Audit Manager or Internal Auditor, isolating them, and determining their bonuses are important tasks.
  - E) Conducting regular meetings with the executive management to discuss work progress, obstacles, and issues, as well as reviewing and discussing important information regarding the company's activities.
  - F) Establishing performance standards for the executive management that align with the company's goals and strategy.
  - G) Reviewing and evaluating the performance of the executive management.
  - H) Developing succession plans for company management.
- 2- The board of directors shall ensure the establishment of procedures to familiarize new board members with the company's operations, especially financial and legal aspects, and provide training as necessary.
- 3- The board of directors is the governing body of the company and is responsible for developing the comprehensive strategy, key objectives, overseeing and directing the performance of the executive management, and making decisions on matters not within the authority of the general shareholders' meeting.
- 4- The authorities of the board of directors regarding the company's strategy include but are not limited to:
  - A) Directing, developing, and monitoring the comprehensive strategy of the company, including its key objectives and financial and operational plans, based on recommendations provided by the company's executives, and supervising its implementation.
  - B) Establishing and directing the risk management policy and reviewing it regularly.



- C) Determining the optimal capital structure for the company, aligning it with its strategy, financial objectives, and approving annual budgets.
  - D) Supervising major capital expenditures of the company, owning assets, and managing them.
  - E) Setting performance goals, monitoring execution, and evaluating overall performance in the company.
  - F) Regularly reviewing the organizational and functional structures within the company and approving them.
  - G) Approving key policies and procedures, reviewing them, and updating them regularly.
- 5- The authorities of the board of directors regarding internal control include, but are not limited to:
- A) Developing a written policy that regulates conflicts of interest and addresses potential conflict situations for members of the board of directors, executive management, and shareholders. This includes misuse of company assets and facilities, as well as misconduct resulting from transactions with related parties.
  - B) Ensuring the integrity of financial and accounting systems, including systems related to preparing and filing financial reports and data, and ensuring the adequacy of disclosure mechanisms.
  - C) Establishing appropriate control systems for risk management and ensuring their implementation by outlining a comprehensive overview of the risks facing the company and transparently addressing them.
  - D) Developing and monitoring the company's internal control system, ensuring the annual review of its efficiency and effectiveness. Additionally, the board ensures that necessary measures are taken to ensure senior management responds to inquiries and recommendations from internal auditors.
- 6- The board of directors has authorities regarding preparation for and management of the general shareholders' meeting in accordance with the General Meeting Regulations for Shareholders.
- 7- The general assembly shall be informed during its meeting of any business or contracts in which a board member has a direct or indirect interest. This notification shall include information provided by the member to the board of directors, according to Article 28, Paragraph 14, of the Corporate Governance Regulations issued by the Capital Market Authority. This notification shall be accompanied by a special report from the external auditor of the company.
- 8- The board of directors reviews the minutes of meetings of committees formed from it and the reports submitted by these committees. It also regularly monitors the work of the committees to ensure they are carrying out their assigned tasks.
- 9- The board of directors reviews the company's corporate governance regulations annually and recommends any proposed amendments to the general assembly for approval.
- 10- The company shall provide its shareholders with its corporate governance charter, the annual reports of the board of directors and the audit committee on its website.
- 11- The board of directors always strives to protect the interests of stakeholders.
- 12- The board of directors is committed to promoting a culture of governance within the company and ensuring compliance with relevant regulations and standards at all times, aiming to enhance the company's governance level and standards.
- 13- The board of directors grants necessary powers to the audit committee to investigate any matter within its scope, ensuring the independence of the internal audit function and providing access to all information required for its duties.



#### **Article (3): Board of Directors Formation**

- 1- The company's management is overseen by a board of directors not less than five members.
- 2- The general assembly appoints board members with a term limit not exceeding three years. Reappointment of board members for additional terms is permissible, provided that the tenure of an independent board member does not exceed (9) years.
- 3- A board member is prohibited from being a partner, executive manager, or serving on the board of directors of another company that competes with the company.
- 4- The majority of the board of directors shall be non-executive members, and the number of independent members shall not be less than two members or one-third of the board, whichever is greater.
- 5- Combining the position of Chairman of the Board with any executive position in the company is not permissible.
- 6- Board members do not simultaneously hold directorships in the boards of other listed companies beyond the limits allowed by regulations.
- 7- The board of directors shall consist of members who possess the qualifications and experience necessary to fulfill their duties effectively.
- 8- It is not permissible to appoint the CEO as the Chairman of the Board of the company during the first year after the end of his services.
- 9- The company shall notify the authority of the names of the board members and their membership descriptions within five working days from the start date of the board's term or their appointment date, whichever is closer. Any changes to their membership shall also be reported within five working days from the date of the changes.
- 10- No minister is allowed to assume the chairmanship of the company's board of directors or be a member of the board, unless appointed by a decision from the Prime Minister.

#### **Article (4): Nomination for Membership in the Board of Directors**

- 1- A board member shall have professional competence, including experience, knowledge, skills, and necessary independence. Consideration shall be given to their leadership abilities, efficiency, guidance capabilities, financial knowledge, and physical fitness.
- 2- Each shareholder has the right to nominate themselves or one or more other shareholders or non-shareholders to the board of directors.
- 3- The company shall receive nominations from shareholders at least thirty (30) days before the date of the general assembly meeting in which new board members will be elected.
- 4- The board of directors has the right to add candidates if the list of nominees provided by shareholders is incomplete.
- 5- The candidate for a board of directors position can submit their nomination documents through:
  - A) The registered mail for the company's headquarters address shall be addressed to the Investor Relations Manager.
  - B) Delivery shall be made directly to the Board Secretary/Investor Relations Officer.
  - C) The email provided in the nomination announcement and also on the electronic trading platform.
- 6- The nomination documents shall include, but are not limited to, the following:
  - A) The nomination application shall include the full name of the candidate, their date of birth, and other relevant personal information.
  - B) The candidate's academic certificates, the date of each certificate's attainment, and the educational institution that granted them.
  - C) Professional experience, including the positions held by the candidate during the past ten years.
  - D) A list of companies and entities to which the candidate belongs or in which they have interests.
  - E) A list of the candidate's relatives employed by the company.
- 7- The board of directors, through the Nomination and Remuneration Committee, shall review the nominations submitted and identify the candidates included in the list of nominees within two weeks from the date specified in Article 4, Paragraph (3).

#### **Article (5): Election and Termination of the Membership of Board Members**

- 1- The General Assembly of shareholders elects board members for a term of three years, and reappointment of board members for additional terms is permissible provided that the tenure of an independent board member does not exceed (9) years.



- 2- The General Assembly of shareholders has the right to terminate the membership of the board before its term expires for all board members.
- 3- If a vacancy occurs for a board member's position, the board has the authority to appoint a temporary member with sufficient experience, after obtaining approval from the regulatory authority, without considering the voting order in the general assembly that elected the board. This appointment shall be reported to the Capital Market Authority within five working days from the appointment date. However, this appointment shall be presented to the next ordinary general assembly meeting for approval, and the new member will complete only the remaining term of the predecessor.
- 4- If the number of board members falls below the minimum requirement, which is three members, the ordinary general assembly shall be called as soon as possible to appoint the necessary number of members. Until this is done, the remaining members are not allowed to make any decisions.
- 5- Upon the expiration of a board member's term through any means of termination, the company shall notify both the Capital Market Authority and the Insurance Authority, stating the reasons for the termination, except in cases of the board's term completion, while ensuring compliance with relevant disclosure requirements.
- 6- The company's Articles of association outline the voting method in shareholders' meetings, and cumulative voting shall be used in electing the board of directors.

#### **Article (6): Chairman of Board of Directors**

- 1- The chairman of the board is elected by the board members, typically by a majority vote, after obtaining approval from the Insurance Authority.
- 2- The board appoints a vice chairman after obtaining approval from the Insurance Authority. The vice chairman presides over meetings in the absence of the chairman and also leads the general assembly of the company if delegated by the chairman in his absence.
- 3- Combining the positions of Chairman of the Board and CEO/Managing Director of the company is not permissible. It is essential to ensure there is no overlap between the supervisory responsibilities of the Chairman of the Board and the executive responsibilities and tasks of the CEO/Managing Director.
- 4- The Board of Directors shall have the right to terminate the position of the Chairman of the Board and to reappoint a new Chairman at any time, subject to a majority vote of the members.
- 5- The Chairman of the board shall perform the following, for example but not limited to:
  - A) Organizing the work of the Board of Directors and providing a conducive atmosphere for open discussion and exchange of opinions among all members on agenda items. Scheduling board meetings, sending out invitations, preparing agendas, chairing meetings, and organizing the voting process for decisions.
  - B) Organizing meeting minutes and signing them.
  - C) When receiving nominations for the position of CEO, they ensure the nominee's suitability for the position.
  - D) Presidency of the General Assembly of Shareholders.
  - E) Supervising the preparation of the Board of Directors' report, which is part of the company's annual report, regarding the activities of the board during the past year.
  - F) Representing the company before third parties as stipulated by the company's regulations, executive regulations, and basic system, and overseeing the relationships between the board and other internal and external entities.
  - G) Ensuring that board members receive complete, clear, accurate, and non-misleading information in a timely manner.
  - H) Supporting the board's efforts to improve the company's governance standards and ensuring compliance with relevant laws and regulations at all times.
- 6- In case the Chairman of the Board is absent from a meeting, the meeting is presided by the Vice Chairman of the Board or by anyone designated by the Chairman of the Board for that purpose, or by someone chosen by the members of the board, with a majority of the votes of the members present at the meeting.
- 7- Informing the Ordinary General Assembly upon its convening about the business and contracts in which a member of the Board of Directors has a direct or indirect interest shall include the information provided by the member to the Board of Directors according to Article 28, Paragraph 14 of the Corporate Governance Regulations issued by the Capital Market Authority. This notification shall be accompanied by a special report from the external auditors of the company.
- 8- Independent Member Responsibilities in accordance with Article (28) of the amended Corporate Governance Regulations issued by the Capital Market Authority, an independent board member is encouraged to actively participate in the following tasks:
  - A) Providing independent opinions on strategic matters, company policies, its performance, and the appointment of executive management members.
  - B) Ensuring the consideration of the company's and its shareholders' interests and disclosing them in case of any conflicts of interest.



- C) Supervising the development of the company's governance rules and monitoring the executive management's compliance with them.

#### **Article (7): Board of Directors Meetings**

- 1- Board meetings are held regularly as requested by the Chairman of the Board, as required by the company's interests, with a minimum of four annual meetings. There shall be at least one meeting every three months. Additionally, the board convenes upon written request from the following:
  - a) External Auditors.
  - b) One of the members.
- 2- The notification regarding the date, location, and time of the board meeting, along with the agenda and relevant information on the listed topics, shall be sent via registered mail or delivered to all board members and persons specified in Article 7 (1) upon their request for a meeting, at least five days before the meeting date.
- 3- The quorum for board meetings is a minimum of three members.
- 4- Delegating a board member to represent another board member is permissible, and voting on resolutions during meetings is allowed, provided that the delegation is in writing and is granted to one member only.
- 5- A meeting is not valid unless at least half of the actual or delegated members of the board of directors are present, with a minimum of three attendees, unless the company's regulations specify a higher percentage or number.
- 6- The board decisions are usually made by a majority vote, and in case of a tie, the decision favored by the chairman of the board prevails.
- 7- Decisions regarding transactions with related parties shall be made by a majority vote of the other members who do not have personal interests in those transactions. If there are personal interests involved, those transactions are approved in the first subsequent meeting of the general assembly.
- 8- The board shall invite executive directors to attend any of its meetings.
- 9- Non-executive board members shall hold closed meetings without the attendance of executive management at least once annually, and it is permissible to invite any of the oversight function employees to attend.

#### **Article (8): Minutes of Board of Directors Meetings**

- 1- The Secretary of the Board prepares a record containing the minutes of the Board meetings signed by both the Chairman of the Board and the Secretary.
- 2- The minutes shall include the following information:
  - A) Company name and headquarter address.
  - B) Place, date and time of the meeting.
  - C) Members who attended the meeting and its quorum.
  - D) Topics discussed and voted on and the result of the vote.
- 3- Minutes of Board meetings shall be signed by the Chairman of the Board, who is responsible for their accuracy, as well as by all attending members and the Board Secretary.
- 4- The company shall provide the minutes of Board meetings to external auditors and regulatory authorities.

#### **Article (9): Board of Directors Committees**

- 1- The Board of Directors establishes committees to discuss and review most of the matters within its authority.
- 2- The Board forms the following committees:
  - a. Audit Committee
  - b. Nominations and Remuneration Committee
  - c. Executive Committee
  - d. Investment Committee
  - e. Risk Management Committee
- 3- The board shall follow the activities of all committees stemming from it to ensure compliance with their responsibilities and duties.
- 4- Committees of the board shall seek the services of experts and specialists, with the board determining their fees.



- 5- The invitation to convene committee meetings is issued by the chairman of the relevant committee, one of its members, or by a decision of the board of directors.
- 6- The outcomes of committee meetings are expressed through written decisions signed by all committee members present at the meeting. These decisions are then presented to the chairman of the board.
- 7- All decisions and opinions taken by the committees are considered recommendations to the board of directors.
- 8- A sufficient number of non-executive board members shall be appointed to the committees concerned with tasks that shall result in conflicts of interest, such as ensuring the integrity of financial and non-financial reports, reviewing transactions of related persons, nominating for membership in the board of directors, appointing executive directors, and determining remuneration. Committee members shall be appointed from outside the Council after obtaining the approval of the Insurance Authority.
- 9- The Board of Directors ensures that the Audit Committee follows up on international and local developments in accounting standards, in accordance with the regulations and instructions of the Insurance Authority and other relevant parties.

#### **Article (10): Board of Directors' Remuneration**

The General Assembly of shareholders has the authority to determine and approve the fees received by members of the Board of Directors for their services on the board or its affiliated committees.

The compensation for the Chairman of the Board of Directors and board members for their services is set at 150,000 Saudi Riyals annually. Additionally, each member receives 3,000 Saudi Riyals for each board meeting attended and 1,500 Saudi Riyals for each committee meeting affiliated with the Board of Directors that they attend.

The company also covers the actual expenses incurred by the Chairman and members of the Board of Directors for attending board or committee meetings, including travel, accommodation, and subsistence expenses. In any case, the total amount paid to the Chairman and Board members shall not exceed 500,000 Saudi Riyals annually. The company shall ensure to send all written details of proposed bonuses and compensations to all shareholders before the General Assembly where these bonuses and compensations will be voted on. The company shall also ensure the approval of the General Assembly on the terms of bonuses and compensations. Members of the concerned Board or senior executives do not have the right to vote on these terms in the General Assembly. Adjustments to the remunerations of Board members can be made with the approval of an extraordinary General Assembly of shareholders if multiple meetings are held on the same day and location. The compensations for the mentioned expenses are provided only once for each member.

The fixed annual bonuses are disbursed based on the attendance rate of the member at meetings, and fixed bonuses are paid for attendance at each meeting.

#### **Article (11): The Role and Responsibilities of the Secretary of the Board of Directors**

The Board of Directors appoints a secretary for the duration of its term to coordinate the board's activities and provide support and assistance to its members. The secretary can be a member of the board or an employee of the company. The removal of the board secretary requires a decision from the Board of Directors. The board determines the compensation for the board secretary for performing these duties.

The board secretary shall have sufficient experience and knowledge of the company's operations and activities. They shall possess good communication skills, be familiar with relevant regulations and laws, and have knowledge of best practices in corporate governance.

#### **The duties of the Secretary of the Board of Directors include, but are not limited to:**

- 1- Coordinating Board meetings and ensuring the availability of appropriate means of communication to exchange and record information between the Board and its committees and between executive members of the Board of Directors and non-executive members, and keeping minutes of Council meetings. Minutes of Council meetings are the permanent official record of the actions and decisions taken by the Council and its committees, and accuracy shall be taken into account in preparing them. Minutes of the meeting shall clearly reflect all the items and topics raised at the Board of Directors meetings, the decisions taken, and any other topics discussed.



- 2- The minutes of the board meeting shall document any voting process during the meeting, including dissenting votes and abstentions. It shall also include references or indications of any documents or materials referred to during the meetings. Additionally, a statement shall be prepared listing the names of attending and non-attending members, approved committees, and any instances of abstention from voting by any member and their reasons, if applicable.
- 3- The secretary of the board of directors shall inform board members of meeting dates, provide them with agendas and related documents, and ensure their delivery at least (10) working days before the meeting. Meeting minutes shall be distributed to relevant parties within a period not exceeding fifteen (15) days, with the responsible person or entity for implementing the decisions made clearly identified. At the beginning of each year, the board shall establish a specific timeline for receiving reports from relevant committees, internal auditors, and external auditors, ensuring that the process of collecting, preparing, and presenting reports adheres to the approved internal policy. This includes preparing important information and presenting it to the board at designated times.
- 4- Coordinating and organizing regular and extraordinary general meetings, preparing their agendas and minutes, and ensuring compliance with disclosure requirements and relevant announcements.
- 5- Organizing a register of disclosures for the members of the Board of Directors and the executive management in accordance with Article (89) of the amended Corporate Governance Regulations
- 6- issued by the Capital Market Authority.
- 7- Providing assistance and advice to the members of the Board of Directors.
- 8- Coordinating the preparation of the annual report for the Board of Directors.
- 9- Saving the reports submitted to the Board of Directors and the reports prepared by the board.
- 10- Verifying the compliance of board members with the procedures approved by the board.

As a minimum requirement for the Board Secretary, the following shall be stipulated:

- 1- Hold a university degree in Law, Finance, Accounting, Management, or equivalent or has practical work experience relevant to the role for no less than three years.
- 2- Has relevant practical experience of no less than five years.

#### **Article (12): Succession Plan for Members of the Board of Directors and its Committees**

##### **Plan Purpose:**

This plan ensures the continuity of work in the Board of Directors and organizes its work.

##### **Plan Definition:**

It is a specific mechanism that ensures that there is no shortage of a quorum for membership of the Board of Directors or the committees emanating from it.

##### **Plan Goals:**

The company aims to have a succession plan for the Board of Directors by avoiding vacancy in membership in the Board of Directors or the committees emanating from it in the event of a position being vacant due to resignation, death, or for any reason whatsoever, and identifying, preparing and preparing appropriate candidates qualified to fill these positions after obtaining the approval of the Insurance Authority.



**Plan methodology:**

The company works through a clear methodology through the following elements:

- 1- Determine the requirements for membership in the Board of Directors and its committees.
- 2- Evaluate the performance and capabilities of members of the Board of Directors and its committees.
- 3- Qualify, train and continuous development for members of the Board of Directors and its committees.

**Responsible Authority:**

The responsibility for following up on the management and implementation of the succession policy for members of the Board of Directors and its committees falls on the company's Governance Department in cooperation with the Nominations and Compensations Committee.

Nomination procedures for membership of the Board of Directors and its committees and the appropriate alternative:

The nomination process for board membership follows approved procedures outlined in the nomination and appointment policies for board members and their derived committees. In the event of a vacancy in the board or its derived committees, a suitable replacement is nominated through the Nominations and Remuneration Committee, approved by the Board of Directors, and then submitted to the regulatory authority for necessary approval. The appointment regarding board membership is ratified at the nearest company's general assembly.

**Review and enforcement:**

This policy is subject to review by the Board of Directors, and appropriate modifications or enhancements will be made whenever necessary.



**Saudi Arabian Cooperative Insurance Company (SAICO)**

**Saudi Joint Stock Company**

**Policies and Procedures for the Nomination and Appointment of  
Members of the Board of Directors and its Affiliated Committees**

**Before Amendment**



### **Candidate Application Submission:**

The applications and their attachments are sent to the attention of the Nominations and Remuneration Committee at the General Administration of the Saudi Arabian Cooperative Insurance Company (SAICO) to one of the following addresses:

- ⇒ P.O. Box 58073 - Riyadh 11594
- ⇒ Fax: 0114751197
- ⇒ Email: [investor.relations@saico.com.sa](mailto:investor.relations@saico.com.sa)

### **Nomination Conditions:**

- The candidate has the conditions for adequate experience, honesty and talents that contribute to enhancing the Company's ability to perform optimally.
- No decision or judgment has been issued against the candidate from any judicial or other authority.
- The candidate for membership of the Board shall not be a member of the Board of Directors of more than five joint stock companies listed simultaneously.
- He has leadership skills that qualify him to grant powers in a way that leads to stimulating performance, application of best practices in the field of effective management, and adherence to professional values and ethics.
- He has academic qualifications, appropriate professional and personal skills, level of training, and practical experiences related to the current and future activities of the Company, administration, economics, accounting or law, as well as a desire to learn and train.
- He has technical, leadership and administrative capabilities, speed in decision-making and absorption of technical requirements related to workflow, and is capable of strategic direction and planning, and has a clear future vision.
- He is able to read and understand financial statements and reports.
- He does not have a health impediment that might hinder him from exercising his duties and tasks.
- He is independent and has no conflicts of interest.
- He is not a state employee.
- He is not insolvent or bankrupt.



- He submits a signed written notification expressing his desire to run for membership in the Board.
- He submits an ID file containing his CV, qualifications and experience in the field of the Company's business, if any, and he submits a statement of the joint-stock companies that he is still a member of their boards of directors.
- He submits a statement of the names of companies or institutions that he directly or indirectly participates in in managing or owning and engaging in business similar to that of the Company.
- He states any kinship or other relationship that he has with one of the Company's senior shareholders, or with one of its external auditors.
- He submits a statement of contracts and existing deals with the Company or any business in which he has an interest, directly or indirectly.
- He attaches a copy of the ID, family record and his means of communication.
- He fills out the suitability form issued by the Saudi Central Bank and attaches thereof to the candidacy application. The form can be obtained from the Saudi Central Bank website [www.sama.gov.sa](http://www.sama.gov.sa)
- He fills out the Disclosure Form No. 3 issued by the Capital Markets Authority to be filled out and attached to the candidacy application. The form can be obtained from the Authority's website [www.cma.org.sa](http://www.cma.org.sa).
- He submits any other additional documents that may be requested by the supervisory authorities, or by the Company.
- The candidate who previously held the membership of the Company's Board of Directors shall submit a statement from the Company's management including the following information about the last term in which he became a member of the Board.
  - The number and dates of Board meetings held during each year of its membership, the number of meetings that he originally attended, and his attendance rate for the total number of meetings;
  - The permanent committees in which the member participated, the number and dates of the meetings held by each of those committees during the years of his membership in them, the number of meetings he attended originally and his attendance rate to the total number of meetings;
  - A summary of the financial results achieved by the Company during his tenure as a member of its Board of Directors;
  - Formation of the Board of Directors:
- The formation of the Board of Directors shall reflect adequate representation of the independent members. In all cases, the number of independent



members of the Board shall not be less than two members, or one third of the members of the Board, whichever is greater.

- The Board shall generally have diversity in terms of qualifications, knowledge, experience and skills in the various areas of the Company's business. Each member shall also have an appropriate level of qualifications, knowledge, experience, skill, integrity, leadership capacity, direction, competence, financial knowledge, and health fitness to carry out their role and responsibilities effectively.

#### **Procedures for nominating potential members to the Board of Directors:**

The procedures for nominating members to the Board of Directors should take into account the following:

- Giving sufficient time to submit applications for candidacy for membership of the Board of Directors, provided that the door for candidacy remains open for at least one month from the date of the announcement;
- The Nomination and Remuneration Committee examines applications for candidacy for membership of the Board of Directors and documents all relevant observations and recommendations;
- Obtaining a written no-objection letter from the Saudi Central Bank before the election of any of the Board members.
- Providing shareholders with sufficient information about the candidates, their qualifications, and their relations with the Company before voting on their selection. A copy of this information is provided on the Company's head office and website;
- Adopting the cumulative voting method when voting in the General Assembly on the appointment of members of the Board of Directors;
- Informing the Saudi Central Bank when any of the applications for candidacy for membership of the Board have been rejected, with the reasons for the rejection specified;
- The number of candidates for membership of the Board of Directors whose names are presented to the General Assembly shall exceed the number of available seats, so that the General Assembly has the opportunity to choose from among the candidates, and voting in the General Assembly is limited to the candidates for membership of the Board of Directors whose data the company has announced.



### **Nomination and appointment**

The Nomination and Remuneration Committee shall make sure as much as possible that the appointment of the Chairman of each Board Committee has been made in a manner that does not violate the rules and regulations issued by the supervisory authorities, including the following requirements:

- Appointing all members of the Board and members of the Audit Committee by the General Assembly;
- All members of the Audit Committee shall be non-executive members, and that there shall be at least one independent member among them, and that the head and members of the committee shall not be elected for more than two consecutive terms;

Appointing all members of the Board of Directors and members of the committees emanating from the Board of Directors and the Insurance Company requires no objection from the Saudi Central Bank.

### **Nomination and Remuneration Committee:**

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- Recommending to the Board of Directors the nomination for membership of the Board of Directors and its committees in accordance with the legal requirements, policies and approved standards. The committee shall take into account not to nominate a person for membership in the Board of Directors or its committees that have been previously convicted of a crime involving breach of honor and trust.
- Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and its committees, including the time that the member shall allocate to the work of the Board of Directors and its committees;
- Evaluating and monitoring the independence of the members of the Board and its committees at least annually, and ensuring that there is no conflict of interest in cases where the member occupies the board of directors of another company;
- Evaluating the performance of the members of the Board (the performance of the entire Board and the individual performance of its members) and of its committees periodically (at least on an annual basis);



## **Board Membership:**

### **Executive Board Member:**

He is a member of the Board of Directors who is a member of the executive management of the Company and participates in the day-to-day management of the Company and receives a monthly salary in return.

### **Non-executive board member:**

He is a member of the Board of Directors who provides opinion and technical advice and does not participate in any way in managing the Company and following up on its day-to-day business and does not receive a monthly or annual salary.

### **Independent Member:**

He is a member of the Board of Directors who enjoys complete independence. This means that the member is completely independent of management and the Company. Independence means having the ability to judge matters after taking into account all the relevant information without any influence from the management or from outside parties, provided that the Board of Directors conducts an annual evaluation of the extent to which independence has been achieved and to ensure that there are no relationships or circumstances that affect or could affect such independence. The independence of a member of the Board of Directors is not achieved in the following cases, for example, but not limited to:

- If he is the owner of 5% or more of the Company's shares or of the shares of a related company, the first of which is a relationship of kinship with whoever owns this percentage, or if he is a representative of one of the major shareholders or works for him if he is a member of the Board of Directors of a related company or a subsidiary company or if he has held such a position within the last two years;
- If he has been a member of the Company's Board of Directors for more than nine continuous or separate years, if he held a position in the senior



management of the Company or in the management of a related company or with a senior shareholder or held a position therein during the last two years if he was an employee of the Company or with a related company or with a company that provides services to the Company (such as auditors, consulting offices, etc. ) or if he has worked for one of these parties during the last two years or was the owner of shares in any of those parties during the past two years;

- If he is a member related to the Board of Directors or members of senior management in the Company or in a related company;
- If he has a direct or indirect interest in the business and contracts that are made for the Company, and if he has a financial obligation towards the Company or any of its senior board members in a manner that could influence his judgments and decisions with complete independence;
- If he receives money from the Company in addition to remuneration for Board membership and membership in Company committees;
- If he is engaged in a business that would compete with the Company, or if he is trading in one of the activity branches that the Company is practicing;
- The provisions on terminating the membership in the Board of Directors stipulate that membership in the Board of Directors ends according to the Articles of Association of the Company for one of the following reasons:
  - 1- Expiration of its term, resignation, death, mental illness or physical disability that may lead to the member's inability to perform its role to the fullest extent;
  - 2- Member's inability to continue exercising his responsibility under any of the regulations or provisions applicable in the Kingdom of Saudi Arabia;
  - 3- If the Board of Directors finds that the member has violated his duties in a way that harms the interest of the Company, provided that the termination of membership is accompanied by the approval of the Ordinary General Assembly;
  - 4- If he is absent from attending three consecutive sessions during one year without a legitimate excuse;
  - 5- If there is a judgment issued declaring his bankruptcy or insolvency, or that he has concluded a settlement with its creditors, or has ceased to pay his debts;
  - 6- If he is convicted of committing an act that violates honor and trust, forgery, or violates laws and regulations in the Kingdom of Saudi Arabia or in any other country;



- 7- Upon termination of membership of a member of the Board of Directors of any of the methods of termination of membership, the Company shall immediately notify the Capital Markets Authority, stating the reasons for this.
- 8- The General Assembly may at all times dismiss all or some of the members of the Board of Directors.
- 9- The Board of Directors, with the majority of the votes of its members, may exempt the chairman of the board from his duties at any time.
- 10- If the Board member resigns while having comments on the Company's performance, he shall submit a written statement thereof to the Board of Directors, and the statement shall be presented to the members of the Board of Directors.
- 11- The Saudi Central Bank shall be notified upon the resignation of any member of the Board or if his membership ends for any reason other than the end of the Board's session, within (5) working days from the date of leaving the job.



Saudi Arabian Cooperative Insurance Company (SAICO)

## **Policies and Procedures for Nominating and Appointing Members of the Board of Directors and its Committees**

### **After Amendment**

The regulation was updated by Board of Directors Resolution No. 131 dated 21/04/2024 AD and approved by the General Assembly on 00/00/2024 AD



### **Candidate Application Submission**

Applications and attachments should be sent to the attention of the Investor Relations Officer at the General Administration of Saudi Arabian Cooperative Insurance Company (SAICO) at one of the following addresses:

P.O. Box 58073, Riyadh 11594

Email: [investor\\_relations@saico.com.sa](mailto:investor_relations@saico.com.sa)

### **Nomination Conditions:**

1. The candidate should possess the necessary experience, integrity, and talents to contribute to enhancing the company's ability to perform optimally.
2. That no decision or judgment has been issued against him/her by any judicial or other authority.
3. A candidate for board membership shall not be a member of the board of directors of more than five listed public companies simultaneously.
4. To possess leadership skills that qualify him/her to delegate authority in a way that motivates performance and implements best practices in the Kingdom.  
Saudi Arabia in the field of effective management and adherence to professional values and ethics.
5. To possess the appropriate educational qualifications, professional and personal skills, and the relevant level of training and practical experience related to the company's current and future activities or to management, economics, accounting, or law, as well as a desire to learn and train.
6. To possess technical, leadership, and administrative capabilities, the ability to make quick decisions, and an understanding of the technical requirements related to [specific field or project]. Additionally, the ability to provide strategic direction and planning, and a clear vision for the future.
7. To be able to read and understand financial data and reports.
8. To not have a medical condition that exempts him/her from performing his/her duties and responsibilities.
9. To possess independence and avoid conflicts of interest.
10. Not to be an employee of the government.
11. Not to be insolvent or bankrupt.
12. To submit a written and signed notice expressing his/her clear desire to run for membership in the council.
13. To provide a profile that includes his/her CV, qualifications, and experience in the company's business field, if any.
14. To provide a statement of the joint-stock companies in whose boards of directors he/she still serves as a member.
15. To provide a statement of the names of the companies or institutions that he/she participates in the management or ownership of, directly or indirectly, and that carry out business similar to the company's business.
16. To clarify any relationship of kinship or otherwise that he/she has with any of the company's major shareholders, or with any of its external auditors.
17. To provide a statement of the existing contracts and transactions with the company or any business in which he/she has an interest, directly or indirectly.
18. To attach a copy of his/her ID, family register, and personal contact information.
19. To must fill out the suitability form issued by the insurance authority and attach it to the application for nomination, and the form can be obtained from the insurance authority's electronic website.
20. To complete Disclosure Form No. 3 issued by the Capital Market Authority and attach it to the application for nomination. The form can be obtained from the CMA's electronic website.
21. To provide any additional documents that may be requested by the supervisory authorities or by the company.

In addition, a candidate who has previously served as a member of the company's board of directors must submit a statement from the company's management, including the following information about the last term in which he/she served on the board:

- a. The number and dates of the board of directors' meetings held during each year of his/her membership, the number of meetings he/she attended in person, and the percentage of his/her attendance to the total number of meetings.
- b. The standing committees in which the member participated, the number and dates of the meetings held by each of these committees during the years of his/her membership in them, the number of meetings he/she attended in person, and the percentage of his/her attendance to the total number of meetings.
- c. A summary of the financial results achieved by the company during his/her membership on the board of directors.

### **Board of Directors Composition:**

1. The composition of the board of directors should reflect appropriate representation of independent members. In all cases, the number of independent board members shall not be less than two or one-third of the total number of board members, whichever is greater.
2. The board should generally have diversity in terms of qualifications, knowledge, experience, and skills in the various fields of the company's business. In addition, each member should possess an appropriate level of qualifications, knowledge, experience, skills, integrity, leadership ability, guidance, competence, financial literacy, and physical fitness to fulfill their role and responsibilities effectively.



#### Procedures for nominating potential board members:

"The nomination procedures for board members should take into account the following:

1. Provide ample time for submitting nominations for board membership, with the nomination period remaining open for at least one month from the date of the announcement.
2. The Nominations and Compensation Committee shall review the nominations for board membership and document all relevant information and recommendations.
3. Obtain written clearance from the insurance authority before electing any board members.
4. Provide shareholders with sufficient information about the nominees, their qualifications, and their relationships with the company before voting on their election. A copy of this information shall be made available at the company's headquarters and on its website.
5. Adopt the cumulative voting method when voting in the general assembly on the appointment of board members.
6. Notify the insurance authority in case of rejecting any of the nominations for board membership, specifying the reasons for rejection.
7. The number of nominees for board membership proposed to the general assembly must exceed the number of available seats. This ensures that the general assembly has the opportunity to choose from among the nominees and limits voting in the general assembly to the nominees for board membership whose information has been announced by the company.

#### Nomination and appointment

The Nominations and Remuneration Committee shall ensure, to the best of its ability, that the appointment of the chair of each committee of the board has been made in compliance with the regulations and systems issued by the supervisory authorities, including the following requirements:

1. All members of the board shall be appointed by the general assembly.
2. All members of the Audit Committee shall be non-executive directors, with at least one independent member, and the committee's chair and members shall not be elected for more than two consecutive terms.
3. The appointment of all members of the board of directors and members of the committees formed by the board of directors of an insurance company requires the non-objection of the insurance authority.

#### Nominations and Remuneration Committee

The tasks and responsibilities of the Nominations and Remuneration Committee include the following:

- 1) The Nominations and Remuneration Committee shall recommend to the board of directors candidates for membership of the board and its committees in accordance with the regulatory requirements, policies, and approved standards. The committee shall ensure that no person is nominated for membership of the board or its committees who has been previously convicted of a crime involving a breach of honor or integrity.
- 2) Prepare a description of the skills and qualifications required for membership of the board of directors and its committees, including the time that a member must dedicate to the work of the board and its committees.
- 3) Evaluate and monitor the independence of board and committee members at least annually and ensure that there is no conflict of interest in cases where a member serves on the board of directors of another company.
- 4) Evaluate the performance of board members, the overall performance of the board, and the individual performance of its members and committees on a regular basis (annually).

#### Board membership

**Executive board member:** An executive director is a member of the board of directors of a company who also serves as a member of the company's executive management team and participates in the day-to-day management of the company. Executive directors typically receive a monthly salary for their services.

**"A non-executive director:** A member of the board of directors of a company who provides advice and counsel to the board but does not participate in the day-to-day management of the company. Non-executive directors typically do not receive a salary for their services."

**Independent member:** Independent director This means that the member is completely independent of the management and the company. Independence means having the ability to judge matters after considering all relevant information without any influence from management or external parties. The board of directors shall conduct an annual assessment of the independence of its members to ensure that there are no relationships or circumstances that affect or could affect their independence. Independence is not achieved for a member of the board of directors in the following cases, by way of example and not limitation:



- 1) If he owns 5% or more of the company's shares or shares of a related company, or is related to someone who owns this percentage, or if he is a representative of a major shareholder or works for his benefit.
- 2) If he is a member of the board of directors of a related company or a subsidiary, or if he has held such a position during the past two years.
- 3) If he has been a member of the board of directors of the company for more than nine years, whether consecutive or non-consecutive.
- 4) If he has held a position in the senior management of the company or in the management of a related company or with a major shareholder or has held a position there during the past two years. If he is an employee of the company or of a related company or of a company that provides services to the company (such as auditors, consulting firms, etc.).
- 5) If he has previously worked for one of these parties during the past two years or has been an owner of controlling shares in any of these parties during the past two years.
- 6) If he is related to a member of the board of directors or a member of the senior management of the company or of a related company.
- 7) If he has a direct or indirect interest in the business and contracts conducted on behalf of the company.
- 8) If he has a financial obligation to the company or to any of its senior management members in a way that could affect governance and decision-making with complete independence.
- 9) If he receives financial amounts from the company in addition to the board of directors' membership fee and membership of the company's committees.
- 10) If he is involved in a business that competes with the company, or if he trades in one of the branches of activity that the company carries out.

#### **Provisions for Termination of Membership on the Board of Directors:**

Membership on the board of directors terminates in accordance with the company's articles of association for one of the following reasons:

- 1- Expiration of term, resignation, death, or mental illness or physical disability that may prevent the member from performing their duties fully.
- 2- Ineligibility of the member to continue exercising their responsibilities under any of the systems or regulations applicable in the Kingdom of Saudi Arabia.
- 3- - If the board of directors establishes that the member has breached their duties in a manner that harms the interests of the company, provided that the termination of membership is coupled with the approval of the ordinary general meeting.
- 4- If he/she is absent from attending three consecutive meetings during the same year without a legitimate excuse.
- 5- If he/she is declared bankrupt or insolvent, enters into a settlement with his/her creditors, or stops paying his/her debts.
- 6- If he/she is convicted of committing an act dishonorable or lacking integrity, or of forgery, or of violating the systems and regulations in the Kingdom of Saudi Arabia or in any other country.
- 7- Upon the termination of membership of a member of the board of directors by any of the methods of termination of membership, the company shall notify the Capital Market Authority immediately, stating the reasons that led to such termination.
- 8- The general meeting may at any time remove all or some of the members of the board of directors.
- 9- The board of directors may, by a majority vote of its members, remove the chairman of the board from his duties at any time.
- 10- If a member of the board of directors resigns and has comments on the company's performance, he/she must submit a written statement to the chairman of the board and the statement must be presented to the members of the board of directors.
- 11- The Insurance Authority must be notified upon the resignation of any member of the board or if his/her membership terminates for any reason other than the end of the board's term, within (5) working days from the date of leaving the job.



**Saudi Arabian Cooperative Insurance Company (SAICO)**

**Saudi Joint Stock Company**

**Audit Committee Regulation**

**Before Amendment**



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### Article (1): General Introduction

- 1- The Regulation of the Audit Committee for the Saudi Arabian Cooperative Insurance Company, a Saudi joint stock company, was prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Markets Authority and amended on May 20, 2019 AD and in accordance with the Companies Law and the Executive Regulations for the Cooperative Insurance Companies Control Law and Article (38) of the Company's Articles of Association and according to the Insurance Companies Governance Regulations and the Audit Committees Regulations for Insurance and / or Reinsurance Companies issued by the Saudi Central Bank on October 22, 2015.
- 2- This Regulation specifies the committee's powers, rights and duties of the committee's members, the rules for selecting its members, their method of work, their membership period, their remuneration, the rules governing the termination of members' service in the committee, as well as the procedures related to the committee's meetings.
- 3- The primary function of the Audit Committee is to assist the Board of Directors to carry out its supervisory duties efficiently and effectively. The committee is particularly responsible for ensuring the integrity and completeness of the financial statements, the relationship with the external auditors, the internal audit policies and procedures, and compliance.

### Article (2): Method of Work of the Audit Committee

- 1- The following topics fall within the responsibilities of the committee.

**With regard to the accounting and reporting function:**



- A) Supervising the internal audit department in the company in order to verify its effectiveness in carrying out the work and tasks assigned to it by the Board of Directors;
- B) Studying the internal control system and drawing up a written report on its opinion and recommendations regarding it;
- C) Examining the internal audit reports and following up on the implementation of corrective actions for the observations contained therein;
- D) Recommending to the Board of Directors to appoint and separate the external auditors, and to determine their fees. When recommending appointment, it is taken into account to ensure its independence.
- E) Following up on the work of the external auditors, and approving any work outside the scope of the audit work assigned to them while they are performing the audit work;
- F) Studying the remarks of the external auditors on the financial statements and following up on what has been done about them;
- G) Examining the interim and annual financial statements before submitting them to the Board of Directors and expressing opinions and recommendations regarding them;
- H) Study the accounting policies used and express opinion and recommendation to the Board of Directors regarding them.
- I) Providing assistance during preparing the accounts and financial reports to ensure the correctness, transparency and completeness of the financial information disclosed by the company;
- J) Ensuring that the financial reports have been prepared in accordance with the accounting policies approved by the relevant supervisory and supervisory authorities;
- K) Identifying and reviewing the accounting problems that affect the process of preparing financial reports and understanding the extent of their impact on the validity of those reports;
- L) Supervising the process of preparing the quarterly and annual financial reports that the management prepares and reviews prior to their publication;
- M) Preparing the Board of Directors' recommendations regarding the appropriateness of the applied accounting policies to the nature of the Company's business and evaluating them for the financial reports issued by the Company and for the nature of the audit process.



- N) Preparing the recommendations of the Board of Directors regarding the annual report of the company, prior to its approval by the Board;
- O) Studying the reports of the actuary and make recommendations thereon to the Board of Directors;
- P) Supervising compliance requirements;

**2- With regard to internal control and risk management.**

- A) Disclosing the main risks facing the company, which include financial, operational and legal risks, and auditing the policies applied by the executive management related to the processes of identifying, evaluating and treating those risks;
- B) Preparing recommendations related to establishing and disseminating the control environment within the Company;
- C) Preparing a calendar for each of the control and internal risk management systems, so that it includes their evaluation of the budgets allocated to them and the individuals in charge of them, and also to the degree of the executive management's response to the observations made by the internal and external auditors;

**3- With regard to the external auditors.**

- A) To make recommendations related to nominating and dismissing external auditors, determining their fees and evaluating their performance, which include review by the committee of their professional competence and independence, the risks expected from the existence of a conflict of interest, auditing the scope of their work and the terms of contracting with them;
- B) Conducting an annual audit of the performance of the external auditors and making recommendations related to their appointment, reappointment or termination of the Company's contract with them;
- C) Working with the external auditors in order to coordinate the preparation of the audit plan and procedures for the financial year, taking into account the current conditions of the Company and any changes that occurred in the conditions required by the legal supervisory authorities;
- D) Working on solving the problems that the external auditors may face during their performance of the audit process, which include any difficulties they may encounter in relation to the objectives of the audit process or their difficulty in accessing information;



- E) Discussing the important findings and recommendations reached by the external auditors and the degree of executive management's response to them, as well as the corrective measures taken by them based on those recommendations and answering their inquiries;
- F) Possibility to communicate with the external auditors individually to discuss the important issues that may be raised by the committee or the external auditors away from the Company's management, and to ensure that the external auditors have the ability to communicate with the head of the Audit Committee at any time;
- G) Preparing Company policy recommendations regarding the services performed by external auditors represented in regular audit services and other services, which include consultations, training programs and the like, which may affect their independence in the performance of regular audit services;
- H) Preparing recommendations for Company policy regarding determining the period required to change external auditors;

**4- With regard to internal audit:**

- A) Preparing recommendations for establishing the internal audit department of the company and its budget, selecting the committee chairman, and clarifying the degree of independence of the internal auditors;
- B) Evaluating the performance of the internal audit department and its auditors so that the evaluation includes the objectives and authorities of the department, the reports it prepares, its audit plan for the next year, the results it reached during the current year, and the preparation of the necessary recommendations to improve its effectiveness.
- C) Discussing the deviations and errors contained in the monthly reports prepared by the internal audit department and ensuring that the company's management has taken the appropriate corrective measures;
- D) Establishing procedures for reviewing complaints related to internal control procedures, preparation of financial reports and external audits;
- E) Appointing and dismissing the director of the internal audit department or the internal auditor after obtaining a no-objection letter from the Saudi Central Bank in writing;



- F) Ensuring that the internal audit department or the internal auditor is independent in performing their duties and that there is no restriction on their work or the existence of anything that could negatively affect their work;

#### **5- With regard to compliance control**

- A) Appointing and dismissing the director of the compliance department or the compliance officer after obtaining a letter of no objection from the Saudi Central Bank;
- B) Ensuring the independence of the Compliance Department or the Compliance Officer in performing their duties and verifying that there is no restriction on its work or the existence of anything that could negatively affect its work;
- C) Auditing the reports of the regulatory authorities and verify that the Company has taken the necessary actions in this regard;
- D) Verifying the Company's compliance with relevant laws, regulations, policies and instructions;
- E) Auditing the contracts and transactions proposed to be conducted by the Company with related parties, and submitting their opinions to the Board of Directors;

#### **Article (3): Rights and Responsibilities of the Audit Committee**

- 1- The Company's audit committee has the following rights:
  - A) Requesting documents, reports, clarifications and other appropriate information from company executives, officials and employees;
  - B) Inviting the executives, officials and employees of the Company to the committee meetings to ask them and request clarifications and explanations from them regarding what the business interest requires;
  - C) Seeking the assistance of experts, consultants and specialists from outside the Company;
  - D) Performing duties entrusted thereto by the Board of Directors within the limits of the committee's powers mentioned in Article (2);
  - E) Right to access the Company's records;



- F) Requesting any clarification or statement from members of the Board of Directors or the executive management;
- G) Requesting the Board of Directors to call the General Assembly of the Company to convene if the Board of Directors impedes its work or the Company suffers damage or severe losses;
- 2- The committee audits and evaluates annually the statute and prepares recommendations if necessary for the Board of Directors with regard to amending a part thereof.
- 3- The committee prepares its reports to the Board of Directors on a regular basis and according to the requirements of the business interest.
- 4- The members of the Audit Committee shall do the following:
  - A) Participating in all committee activities and endeavoring to attend all meetings;
  - B) Dealing with the information available to them as a result of their conducting the work of the committee with complete confidentiality;
  - C) Informing the Board of Directors of developments affecting their independence and the conflict of interests related to the decisions taken by the committee;
  - D) Conducting an annual evaluation and review of the activities of the committee and its members, including the degree of compliance of the committee with its regulations;

#### **Article (4): Conflict occurs between the Audit Committee and the Board of Directors**

In the event that a conflict arises between the recommendations of the Audit Committee and the decisions of the Board of Directors, or if the Board refuses to take into account the committee's recommendation regarding the appointment and dismissal of the Company's auditors, determining their fees, evaluating their performance, or appointing the internal auditor, the Board's report shall include the committee's recommendation and justifications and the reasons for the Board's failure to take it into account.

#### **Article (5): Rules for Selecting Committee Members and their Membership Term**

- 1- By a decision of the Company's Ordinary General Assembly, the Audit Committee is formed of at least three (non-executive members) and a



- maximum of five members, and among them shall be a specialist in financial and accounting affairs, and most of them are from outside the Board.
- 2- The membership of the members of the Audit Committee shall be for a period of (3) years after obtaining the no objection letter from the Saudi Central Bank in writing.
  - 3- The Audit Committee or one of its members may be renewed for another three years for one time only. The member of the Audit Committee shall not be one of the Company's executives, employees, or advisors.
  - 4- The member of the Audit Committee shall not be one of the Company's executive directors, its employees, or its advisors.
  - 5- The term of membership of the committee shall coincide with the term of membership of the Board of Directors.
  - 6- The members of the committee shall have the knowledge necessary to carry out the tasks related to the financial and accounting aspects, to prepare the financial statements and how to deal with the external auditors, the internal auditors and other interested parties.
  - 7- The member of the Board of Directors nominated for the membership of the committee shall be independent.
  - 8- The head of the Audit Committee shall be an independent member and appointed after obtaining the non-objection of the Central Bank of Saudi Arabia, and it is not permissible for the Chairman of the Board to be a member of the Audit Committee or its head.
  - 9- It is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the Company or with the Company's auditor, to be a member of the Audit Committee.
  - 10- In the event that the position of one of the members of the Audit Committee becomes vacant, the Board may appoint - temporarily - a member of the vacant seat within a maximum period of one month from the vacancy of this position, who have sufficient experience and the necessary requirements and after obtaining a non-objection from the Saudi Central Bank. The Financial Markets Authority shall be notified of this within (5) five working days from the date of the appointment, and this appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member completes the term of his predecessor only.
  - 11- The candidate shall obtain the approval of the Company and fulfill the non-objection of the Saudi Central Bank before accepting the nomination or assignment / or re-assignment or appointment or reappointment with any



public or private authority or assuming any other responsibilities such as membership in boards of directors, committees, or the like.

#### **Article (6): Committee Meetings**

- 1- The Audit Committee appoints a secretary from among the Company's employees, and it is not permissible for him to be a secretary for any other committee of the Board's committees.
- 2- Committee meetings are held to cover the duties and responsibilities of the committee. In general, meetings shall not be less than six meetings per year, including the annual meeting with the Board of Directors. In the event that the Board of Directors discusses an issue that falls within the responsibility of the committee, the committee shall hold a meeting to discuss this topic and prepare a report on it to be presented to the Board of Directors, prior to the Board meeting.
- 3- Committee meetings are held at the invitation of the committee head, one of the members, or by a decision of the Board of Directors or the Chairman of the Board of Directors.
- 4- Additional meetings shall be held if necessary, or upon the request of the internal audit department, the compliance department, or the external auditors, and in this case the committee secretary is responsible for calling the meeting.
- 5- The quorum of the committee is obtained when at least half of its members are present.
- 6- The committee secretary shall send the meeting agenda and all information related to the topics to be discussed in the meeting to the members of the committee no less than a week before the date of the meeting, so that the members can study those topics.
- 7- The members of the committee attending the meeting sign the minutes of the meeting that include discussions, opinions presented and decisions taken by the committee.
- 8- Decisions are taken in the committee by the majority of the members present. In the event of a tie when voting on these decisions, the opinion approved by the committee head shall prevail.

#### **Article (7): Remunerations Received by Committee Members**



The remuneration that the committee members receive amounts to (1,500 riyals) (one thousand five hundred riyals) for each member for each meeting attended by the committee members, in addition to their personal expenses incurred to attend the meetings. In addition, an annual remuneration of 100,000 riyals (one hundred thousand riyals) will be paid to committee members from outside the Board of Directors, based on the member's attendance rate at committee meetings.

#### **Article (8): Conflict of Interest**

- 1- It is not permissible for a committee member to have a direct or indirect interest in the business and contracts that are made for the Company's account.
- 2- It is not permissible for a member of the committee to participate in competing business with the Company or to trade in its activities.

#### **Article (9): Report of the Audit Committee**

- A) The Audit Committee report shall include details of its performance of its competencies and tasks stipulated in the Companies Law and its Executive Regulations, provided that it includes its recommendations and opinion on the adequacy of the Company's internal and Financial Control and Risk Management Systems.
- B) The Board of Directors shall deposit a sufficient copy of the Audit Committee's report in the Company's head office and publish it on the Company's website and the market's website when publishing the call for convening the General Assembly to enable those who wish shareholders to obtain a copy thereof. The summary of the report is read during the meeting of the General Assembly.



Saudi Arabian Cooperative Insurance Company (SAICO)

## **Audit Committee Regulations**

### **After Amendment**

The Regulation was updated by Board of Directors Resolution No. 131 dated 21/04/2024 and approved by the General Assembly on 00/00/2024 AD



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**Article (1): General Introduction:**

- 1- The audit committee regulation for the Saudi Arabian Cooperative Insurance Company, a Saudi joint stock company, was prepared in accordance with the requirements of the corporate governance regulations issued by the Capital Market Authority and amended on 18/01/2023 AD, and in accordance with the companies' law and the executive regulation of the cooperative insurance companies' control system and Article (38) of the bylaws. For the company, in accordance with the Regulation for the Governance of Insurance Companies and the Regulations for Audit Committees in Insurance and/or Reinsurance Companies issued by the Insurance Authority on 22/10/2015 AD.
- 2- The General Assembly of the Company shall issue, based on a proposal from the Board of Directors, the Committee's work regulations. This regulation includes the controls and procedures for its work, its tasks, the rules for selecting its members, the duration of their membership and their remuneration.
- 3- The main task of the audit committee is: Assisting the Board of Directors to carry out its supervisory tasks efficiently and effectively. In particular, the committee is responsible for ensuring the integrity and completeness of the financial statements, the relationship with external auditors, and internal audit policies and procedures and compliance.

**Article (2): Audit Committee's Work Method**

In performing their duties, committee members shall give priority to the interest of the company over any other considerations that shall affect their work or decisions. The following topics fall within the committee's responsibilities:

1- For Financial Statements:

- A) Review important accounting and reporting issues, including complex or unusual transactions, recent professional and regulatory rulings, and understand their impact on financial statements.
- B) Studying the initial and annual financial statements before presenting them to the Board of Directors and expressing an opinion and recommendation regarding them.
- C) Studying the annual financial statements, and considering whether they are complete, consistent with the information known to the members of the committee, and reflect appropriate accounting principles, and submit recommendations regarding them to the Board of Directors and express an opinion thereon.
- D) Providing assistance during the preparation of accounts and financial reports in order to ensure the accuracy, transparency and completeness of the financial information that the company discloses.
- E) Expressing a technical opinion - at the request of the Board of Directors - as to whether the Board of Directors' report and the company's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
- F) Studying any important or unusual issues included in the financial reports.
- G) Thoroughly research any issues managed by the company's financial director, whoever assumes his duties, the company's compliance officer, or the auditor.
- H) Verifying accounting estimates on material issues contained in financial reports.



- I) Studying the accounting policies in place, expressing opinions, and making recommendations to the Board of Directors regarding them.
  - J) Ensuring that financial reports have been prepared in accordance with accounting policies approved by relevant regulatory and supervisory authorities.
  - K) Identifying and reviewing accounting issues affecting the preparation of financial reports and understanding their impact on the accuracy of those reports.
  - L) Preparing recommendations for the Board of Directors regarding the appropriateness of the accounting policies applied to the nature of the company's business, evaluating them for the financial reports issued by the company, and assessing the audit process.
  - M) Studying the operations between group entities and transactions with related parties.
  - N) Preparing recommendations for the Board of Directors regarding the company's annual report before its approval by the board.
- 2- Regarding the Actuarial Expert (Technical Insurance Affairs Expert).
- A) Reviewing the actuarial expert's reports (Technical Insurance Affairs Expert) and submitting recommendations regarding them to the Board of Directors.
  - B) Ensuring the company complies with the proposals and recommendations of the actuarial expert (Technical Insurance Affairs Expert) if they are mandatory according to regulations or instructions from the Insurance Authority.
- 3- For Insurance Authority:
- A) Reviewing the notes from the Insurance Authority and other relevant regulatory and supervisory bodies regarding any regulatory violations or required corrective actions, and providing recommendations to the Board of Directors accordingly.
  - B) Monitoring reports issued by the Insurance Authority and other relevant supervisory and regulatory bodies and providing recommendations to the Board accordingly.
- 4- **For Internal control and risk management:**
- A) Studying and reviewing internal control, financial systems, and risk management in the company
  - B) Preparing recommendations related to establishing and disseminating the control environment within the company.
- 5- **For external auditors**
- A) Making recommendations regarding the nomination of external auditors, their dismissal, determining their fees, and evaluating their performance, which includes the committee's review of their professional competence, independence, the expected risks of a conflict of interest, and a review of the scope of their work and the terms of contracting with them.
  - B) Verifying the independence, objectivity, and fairness of the auditor and the effectiveness of the audit work, taking into account the relevant rules and standards.
  - C) Conducting an annual review of the performance of the external auditors and making recommendations related to their appointment, reappointment, or termination of the company's contract with them
  - D) Review the scope and presentation of the proposed audit to the external auditors, including coordination of audit efforts with internal audit.
  - E) Working with external auditors in order to coordinate the preparation of the audit plan and procedures for the financial year, taking into account the company's current circumstances and any changes that have occurred in, in the conditions required by the legal supervisory authorities.
  - F) Follow up on the work of the external auditors, and approve any work outside the scope of the audit work they are assigned while they are performing the audit work.
  - G) Studying the external auditors' notes on the financial statements and following up on what has been done regarding them.
  - H) Reviewing the external auditors' evaluation of internal control procedures.



- I) Working to solve the problems that the external auditors shall encounter while performing the audit process, which includes any difficulties they shall encounter regarding the objectives of the audit process or difficulty in accessing information.
- J) Discussion of important findings, recommendations made by external auditors, and the degree of executive management's response to them, as well as the corrective actions taken based on those recommendations and responding to their inquiries.
- K) The ability to communicate directly with external auditors to discuss important matters that shall arise, away from company management, and ensuring that external auditors have the ability to communicate with the audit committee chair at any time.
- L) Preparing recommendations regarding the company's policy regarding the services provided by external auditors, including regular audit services and other services such as consulting, training programs, and similar services, which shall affect their independence in performing regular audit services.
- M) Preparing recommendations regarding the company's policy regarding the required period to change external auditors.

#### **6- For Internal Audit**

- A) Supervising internal audit management within the company. Reviewing the effectiveness of internal audit in executing the tasks and responsibilities assigned to it by the Board of Directors.
- B) Adopting the Internal Audit Charter.
- C) Reviewing internal audit reports and monitoring the implementation of corrective actions for the findings noted therein.
- D) Reviewing the internal auditors' assessment of internal control procedures.
- E) Determining the monthly salary, bonuses, and other benefits for the Internal Audit Manager or Internal Auditor.
- F) Approving the annual audit plan and any significant changes to the plan. Reviewing the internal auditor's performance regarding their plan.
- G) Reviewing the internal audit budget, resource plan, activities, and organizational structure with the internal auditor.
- H) Evaluating the efficiency, effectiveness, and objectivity of the work performed by the internal audit department and the internal auditor.
- I) Assessing management's response to the internal audit findings and recommendations.
- J) Reviewing the effectiveness of the internal auditor's function, including compliance with the Institute of Internal Auditors' definition of internal auditing, the Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.
- K) Meeting separately with the internal auditor to discuss any matters that the committee or internal audit believes shall be discussed privately, on a regular basis.
- L) Establishing procedures for reviewing complaints related to internal control procedures, financial statement preparation, and external audit.
- M) Appointment and removal of the Internal Audit Manager or Internal Auditor after obtaining the written non-objection from the Insurance Authority.
- N) Ensuring the independence of the Internal Audit Manager or Internal Auditor in carrying out their duties and verifying the absence of any constraints on their work or anything that could negatively impact their operations.

#### **7- For Compliance monitor**

- A) Review, approve and monitor the implementation of the compliance plan.
- B) The effectiveness of the system to monitor compliance with laws and regulations and the results of management investigations and follow-up (including actions taken in) cases of non-compliance.
- C) Reviewing the reports of the Compliance Monitoring Department or the Compliance Officer and submitting recommendations thereon to the Board of Directors.
- D) Reviewing the results of inspection visits by regulatory bodies, and any observations made by the auditor.
- E) Ensure that the company has a written code of conduct duly approved by the Board of Directors to ensure that the company's activities are conducted in a fair and ethical manner.
- F) Follow up on important lawsuits filed by or against the company and submit periodic reports thereon to the Board.
- G) Appointing and dismissing the Director of the Compliance Department or the Compliance Officer after obtaining a written confirmation of non-objection from the Insurance Authority.
- H) The independence of the Compliance Department (or the Compliance Officer) in performing its duties and verifying that there is no restriction on its work or the presence of anything that could negatively affect its work.
- I) Reviewing the reports of the regulatory authorities and verifying that the company has taken the necessary measures regarding them.
- J) Evaluating the efficiency, effectiveness and objectivity of the work carried out by the Compliance Monitoring Department and the Compliance Officer.



- K) Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and presenting its views to the Board of Directors.
- L) Submit any issues it deems necessary to take action on to the Board of Directors, and express its recommendations regarding the actions that shall be taken.

#### **8- Other Responsibilities**

- A) Undertaking other activities related to this charter as requested by the Board of Directors.
- B) The committee ensures that its annual reports addressed to the company's general assembly are uploaded to the company's website.

#### **Article (3): Authority and Responsibilities of the Audit Committee**

- 1- The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is authorized to:
  - A) Communicate directly with the Board of Directors, senior management of the company, all employees, committees, legal advisors, internal and external auditors at the company's head office and/or branches or any party related to the company.
  - B) Request documents, reports, clarifications and other appropriate information from company executives, officers and employees.
  - C) Hold meeting with the company's executive directors, officials and employees, and external auditors or the external consultant for committee meetings, to ask them and request clarifications and explanations from them as necessary.
  - D) Appoint independent consultants, accountants, or others from outside the company to advise the committee or requesting assistance from any consulting expert to carry out specific tasks to assist it in performing its work.
  - E) Perform duties assigned to it by the Board of Directors within the limits of the committee's powers mentioned in Article Two.
  - F) Have the right to access and review all of the company's private and confidential records and documents to perform its activities.
  - G) Request any clarification or statement from members of the Board of Directors or Executive Management.
  - H) Request the Board of Directors to convene the company's General Assembly if the Board of Directors obstructs its work or the company is exposed to serious damage or losses.
- 2- The committee annually reviews its regulations and prepares recommendations, if necessary, to the Board of Directors regarding its amendment.
- 3- The committee prepares its reports to the Board of Directors on a periodic basis and according to the requirements of the business interest.
- 4- The members of the audit committee shall do the following:
  - A) Participate in all committee activities and strive to attend all meetings.
  - B) Treat the information they have as a result of undertaking the committee's work with complete confidentiality.
  - C) Inform the Board of Directors of developments that affect their independence and conflicts of interest related to the decisions taken by the committee.
- 5- Develop a mechanism that allows the company's employees to submit their observations regarding any transgression in financial or other reports confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the extent of the error or transgression and adopting appropriate follow-up procedures.

#### **Article (4): A conflict Occurs Between the Audit Committee and the Board of Directors**

In the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, or if the Board refuses to take into account the Committee's recommendation regarding appointing and dismissing the company's auditors, determining their fees, evaluating their performance, or appointing the internal auditor, the Board of Directors' report shall include the Committee's recommendation, its justifications, and the reasons for the Board not taking it into account.

#### **Article (5): Rules for Selecting Committee Members and the Duration of Their Membership**

- 1- An audit committee shall be formed by a decision of the company's Board of Directors of at least three members (other than executive members) and a maximum of five members, including a specialist in financial and accounting affairs, and the majority of them shall be from outside the board.



- 2- Membership of the Audit Committee members shall be for a period of (3) years after obtaining a written non-objection from the Insurance Authority.
- 3- The Audit Committee or one of its members shall be renewed for another three years only once.
- 4- The member of the audit committee shall not be the company's executives, employees, or advisors.
- 5- It does not include members of the Audit Committee, executive board members, executive directors, employees, consultants, and representatives of any parties associated with the company, including but not limited to: Main shareholders, founders, external auditors, suppliers, customers of the company and legal persons, who have first-degree relationships with the company's board of directors or with its executives or have any financial or commercial relationship with it.
- 6- The term of committee membership shall coincide with the term of membership of the Board of Directors.
- 7- At least two members of the committee, including the Chairman of the Audit Committee, shall have the necessary knowledge to carry out tasks related to the financial and accounting aspects and the preparation of financial statements, and how to deal with external auditors, internal auditors, and other concerned parties.
- 8- The members of the audit committee shall include an independent board member.
- 9- The Chairman of the Audit Committee shall be independent and appointed after obtaining a non-objection from the Insurance Authority. The Chairman of the Board shall not be a member of the Audit Committee or its Chairman.
- 10- It is not permissible for anyone who works or has worked during the past two years in the executive or financial management of the company or for the company's auditor to be a member of the audit committee.
- 11- Any audit committee member shall not serve simultaneously on audit committees for more than five public companies
- 12- The Chairman of the Audit Committee shall not be associated with other members of the Board of Directors or have any relationship or financial relationship with any member of the Board of Directors.
- 13- The Chairman of the Audit Committee has no connection to the company's senior management that might affect his independence.
- 14- The Board shall appoint new members to the Audit Committee in the event of electing a new Board of Directors after obtaining a non-objection from the Insurance Authority.
- 15- The Board of Directors, after obtaining written non-objection from the Insurance Authority, has the authority to dismiss any member of the Audit Committee in case they no longer meet the membership requirements, commit a violation of the provisions of this regulation, the regulations of the Cooperative Insurance Companies Control System, its executive regulations, or provisions of related regulations and instructions.
- 16- A member of the Audit Committee has the right to resign, provided that they submit their resignation request to the Board of Directors at least one month before the effective date of their resignation. The company shall notify the Insurance Authority in writing of the resignation of the Audit Committee member, including the reasons for resignation, and provide the Insurance Authority with a copy of the resignation request within five business days from the resignation date.



- 17- In case a seat on the Audit Committee becomes vacant, the Board shall appoint a temporary member to fill the vacant seat temporarily. This appointment shall be made within a maximum period of one month from the date the seat became vacant. The appointed member shall meet the necessary experience and requirements. The Financial Market Authority shall be informed of this appointment within five business days from the date of appointment. The new member will complete only the remaining term of their predecessor.
- 18- The membership of any member of the Audit Committee automatically ends when any change occurs that would violate the membership conditions stipulated in this regulation, or any other regulations, instructions, or decisions issued by the Insurance Authority.  

The member shall inform the company in writing immediately upon such a change occurring. Furthermore, they will not attend any Audit Committee meeting held after the date of the change.
- 19- An Audit Committee member shall not hold membership on Audit Committees in more than five listed joint-stock companies simultaneously.

#### **Article (6): Committee Meetings**

- 1- The Audit Committee appoints a secretary from the company's employees after obtaining the non-objection of the supervisory authority. The secretary cannot serve as a secretary for any other committee of the board.
- 2- Committee meetings are held to fulfill the duties and responsibilities of the committee. Generally, there shall be at least six meetings per year, including the annual meeting with the board of directors. If the board of directors discusses a topic within the committee's purview, the committee shall hold a meeting to discuss and prepare a report on this topic to present it to the board of directors before the board meeting.
- 3- Committee meetings are convened upon the invitation of the committee chairperson, any committee member, by decision of the board of directors, or the board chairman.
- 4- Additional meetings shall be held as necessary or as requested by the internal audit management, compliance management, or external auditors. In this case, the committee secretary is responsible for convening the meeting.
- 5- The quorum for the committee is achieved when at least half of its members are present.
- 6- The committee shall develop a detailed annual work plan that includes the main topics to be discussed during the year and the dates of its meetings.
- 7- The committee secretary shall send the meeting agenda and all relevant information regarding the topics to be discussed in the meeting to the committee members at least (10) working days before the meeting date. This allows members to study the topics thoroughly.
- 8- The minutes of each meeting are prepared and distributed by the committee secretary within ten (10) working days from the date of the meeting. A copy of the approved minutes with the original signatures is retained.
- 9- Members of the committee present at the meeting sign the minutes, which include the discussions, opinions presented, and decisions made by the committee.
- 10- The committee makes decisions based on the majority of the members present. In case of a tie vote on any decision, the opinion favored by the committee chair prevails.
- 11- It's expected that the committee chairman and all members attend every meeting, either in person, through teleconferencing, or via electronic platforms as agreed upon before the meeting. If necessary, the audit committee has the authority to invite anyone deemed appropriate from within or outside the company to attend its meetings. It's expected the attendance.



Other attendees and/or invitees shall participate in the meeting either in person, by phone, or through an electronic platform, as agreed upon with the audit committee before the meeting. External auditors shall be invited based on the agenda items of the meeting.

#### **Article (7): Remunerations of the Committee Members**

The remuneration for committee members amounts to 1,500 Saudi Riyals for each meeting attended by committee members, in addition to their personal expenses incurred to attend the meetings. Furthermore, external committee members receive an annual bonus of 100,000 Saudi Riyals, while committee members who are also members of the board of directors receive an annual bonus of 50,000 Saudi Riyals. These bonuses are based on the attendance rate of the member at committee meetings.

#### **Article (8): Conflict of Interests:**

- 1- Committee members shall not have a direct or indirect interest in the business or contracts conducted on behalf of the company.
- 2- Committee members are prohibited from engaging in competitive activities with the company or trading in activities they engage in.

#### **Article (9): Report of the Audit Committee**

- A) The Audit Committee's report shall include details of its performance, responsibilities as outlined in the Companies Act and its executive regulations. It shall also include recommendations and opinions regarding the adequacy of the company's internal control and financial systems, as well as risk management.
- B) The Board of Directors shall deposit an adequate number of copies of the Audit Committee's report at the company's main office and publish it on the company's website and the market's website when issuing the invitation to convene the General Assembly. This is to enable interested shareholders to obtain a copy, and a summary of the report shall be read during the General Assembly meeting.