

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022**

**ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS'
REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

INDEX	PAGES
Independent Auditors' report	1-5
Statement of financial position	6
Statement of income	7
Statement of Comprehensive income	8
Statement of changes in shareholders' equity	9
Statement of cash flows	10
Notes to the financial statements	11 – 65

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Opinion

We have audited the financial statements of Arabia Insurance Cooperative Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements which includes a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, and other and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



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**INDEPENDENT AUDITORS' REPORT
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Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of ultimate claim liabilities arising from insurance contracts</p> <p>As at 31 December 2022, claims incurred but not reported (IBNR) and outstanding claims amounted to SR 68 million (2021: SR 53 million) and SR 782 million (2021: SR 104 million), respectively, as reported in note 10 to the financial statements.</p> <p>The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.</p> <p>In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter since use of management assumptions and judgments could result in material over / understatement of the Company's profitability.</p> <p>The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 4 to the financial statements. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in notes 10 and 11 respectively, to the financial statements. The Company's approach to claim related risk management has been disclosed in note 31 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 29 to the financial statements.</p>	<p>We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.</p> <p>We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the Company.</p> <p>In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.</p> <p>In order to assess management's methodologies and assumptions, we were assisted by our actuaries to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuaries performed the following:</p> <ul style="list-style-type: none"> - evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; - assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.



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Other Information

The Board of Directors of the Company is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our report. Thereon the annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), Regulations for Companies and the Company's by-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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**INDEPENDENT AUDITORS' REPORT
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ARABIA INSURANCE COOPERATIVE COMPANY
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Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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**INDEPENDENT AUDITORS' REPORT
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Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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License No. 456

06 March 2023
14 Sha'aban 1444



ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
Expressed in Saudi Riyals

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	5	79,119,498	85,343,072
Time deposits	6	174,089,075	57,460,919
Premiums and reinsurance receivables, net	7	233,299,452	150,976,952
Reinsurers' share of unearned premiums	9	39,551,495	47,877,264
Reinsurers' share of outstanding claims	10	744,867,692	70,586,696
Reinsurers' share of claims incurred but not reported	10	7,623,932	8,345,878
Deferred policy acquisition costs	8	24,055,081	11,122,225
Investments	17	154,429,724	141,032,418
Due from related party	22	83,346	83,346
Prepayments and other assets	12	30,393,828	24,203,083
Right-of-use assets	13	1,296,797	3,214,715
Property and equipment, net	14	10,152,613	7,417,955
Statutory deposit	18	40,000,000	40,000,000
Return on statutory deposit		5,380,607	4,493,686
TOTAL ASSETS		1,544,343,140	652,158,209
LIABILITIES			
Accounts payable		36,378,827	17,106,089
Accrued expenses and other liabilities	15	38,283,399	23,959,923
Reinsurers' balance payables		20,489,865	31,008,133
Unearned premiums	9	339,638,317	168,094,359
Unearned reinsurance commission	16	7,912,104	3,460,509
Outstanding claims	10	782,395,476	104,492,463
Claims incurred but not reported	10	68,073,728	52,970,390
Premium deficiency reserve and other reserves		1,600,922	8,965,000
Provision for end of service benefits	23	11,563,543	10,479,356
Due to related parties	22	-	198,882
Zakat and income tax accrued	21	7,215,968	7,652,889
Lease liability	13	1,236,027	2,742,492
Return on investment of accrued statutory deposit		5,380,607	4,493,686
TOTAL LIABILITIES		1,320,168,783	435,624,171
INSURANCE OPERATIONS' ACCUMULATED SURPLUS			
Accrued surplus distributions		2,494,147	1,438,544
Actuarial loss on defined benefit plan		(512,515)	(543,842)
TOTAL LIABILITIES & ACCUMULATED SURPLUS		1,322,150,415	436,518,873
SHAREHOLDERS' EQUITY			
Share Capital	19	265,000,000	265,000,000
Accumulated losses		(41,218,767)	(49,496,359)
Investment revaluation reserve	17	(1,588,508)	135,695
TOTAL SHAREHOLDERS' EQUITY		222,192,725	215,639,336
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,544,343,140	652,158,209

Chief Financial Officer

Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Saudi Riyals

	Notes	31 December 2022	31 December 2021
REVENUES			
Gross premiums written			
- Direct	9.1	733,193,225	422,322,603
Reinsurance premiums ceded			
- Foreign		(104,769,250)	(104,309,540)
- Local		(16,069,949)	(22,034,339)
Excess of loss expenses		(6,278,374)	(4,901,376)
Net premiums written		606,075,652	291,077,348
Changes in unearned premiums, net	9	(179,869,727)	(22,319,280)
Net premiums earned		426,205,925	268,758,068
Reinsurance commission earned	16	23,401,370	27,818,227
Other Income		7,180,185	3,607,106
NET REVENUES		456,787,480	300,183,401
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	10	(356,287,093)	(278,098,796)
Reinsurers' share of claims paid	10	61,225,913	42,254,776
Net claims paid		(295,061,180)	(235,844,020)
Changes in outstanding claims and incurred but not reported, net		(19,447,302)	18,982,042
Net claims incurred		(314,508,482)	(216,861,978)
Policy acquisition costs	8	(41,484,914)	(32,840,979)
Changes in premium deficiency reserve and other reserves		7,364,078	6,665,000
TOTAL UNDERWRITING COSTS AND EXPENSES		(348,629,318)	(243,037,957)
NET UNDERWRITING INCOME		108,158,162	57,145,444
OTHER OPERATING (EXPENSES) / INCOME			
(Reverse) / provision for doubtful debts	7	(1,512,099)	9,648,413
General and administrative expenses	20	(100,002,705)	(73,455,671)
Commission income on deposits		3,636,802	925,857
Gains on sold available for sale investments	17	1,502,439	2,675,001
impairment burdens of available for sale investment		(1,100,000)	-
Dividend income		3,150,595	3,591,430
TOTAL OTHER OPERATING EXPENSES		(94,324,968)	(56,614,970)
Total surplus / (deficit) for the year		13,833,194	530,474
Zakat and income tax	21	(4,500,000)	(6,047,859)
Net (loss) / income for the year after zakat and income tax		9,333,194	(5,517,385)
Income for the year attributed to the insurance operations		(1,055,602)	-
INCOME / (LOSS) FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS			
		8,277,592	(5,517,385)
Basic earnings / (loss) per share	26	0.31	(0.21)
Chief Financial Officer	Authorized Board Member	Chief Executive Officer	

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Saudi Riyals

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
income /(Loss) for the year attributed to the shareholders		8,277,592	(5,517,385)
Other comprehensive income:			
<i>Items may be reclassified to statements of income in subsequent years</i>			
- Net change in fair value	17	<u>(1,724,203)</u>	<u>(609,572)</u>
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		<u>6,553,389</u>	<u>(6,126,957)</u>
Total comprehensive gain / (loss) attributed to the insurance operations		<u>1,086,929</u>	<u>979,090</u>
Total comprehensive income / (loss)		<u>7,640,318</u>	<u>(5,147,867)</u>

Chief Financial Officer



Authorized Board Member

Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

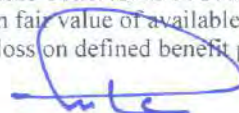
Expressed in Saudi Riyals

	Notes	Share capital	Accumulated losses	Investment revaluation reserve	Total Shareholders' Equity
2022					
Balance, beginning of the year		265,000,000	(49,496,359)	135,695	215,639,336
Total comprehensive income for the year:					
Net income for the year attributable to the shareholders		-	8,277,592	-	8,277,592
Changes in fair values of available for sale investments	17	-	-	(1,724,203)	(1,724,203)
Total comprehensive income for the year attributable to the shareholders			8,277,592	(1,724,203)	6,553,389
Balance, ending of the year		265,000,000	(41,218,767)	(1,588,508)	222,192,725
2021					
Balance, beginning of the year		265,000,000	(43,978,974)	745,267	221,766,293
Total comprehensive loss for the year:					
Net loss for the year attributable to the shareholders		-	(5,517,385)	-	(5,517,385)
Changes in fair values of available for sale investments	17	-	-	(609,572)	(609,572)
Total comprehensive loss for the year attributable to the shareholders			(5,517,385)	(609,572)	(6,126,957)
Balance, ending of the year		265,000,000	(49,496,359)	135,695	215,639,336
					
		Authorized Board Member			
					
		Chief Financial Officer			Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
Expressed in Saudi Riyals

	Notes	31 December 2022	31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year after zakat and income tax		9,333,194	(5,517,385)
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment	14	3,003,896	2,619,193
Depreciation of Right-of-use assets	13	1,917,918	2,157,237
Finance charges	13	74,936	158,230
(Reverse) / allowance for doubtful debts	7	1,512,099	(9,648,413)
Gains on sale of available for sale investments		(1,502,439)	(2,675,001)
Provision for end-of-service benefits	23	1,464,000	1,468,034
Accrued zakat and income tax	21	4,500,000	6,047,859
		<u>20,303,604</u>	<u>(5,390,246)</u>
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(83,834,598)	(214,802)
Reinsurers' share of unearned premiums		8,325,769	(4,972,535)
Reinsurers' share of outstanding claims		(674,280,996)	(36,608,850)
Reinsurers' share of claims incurred but not reported		721,946	1,032,847
Deferred policy acquisition costs		(12,932,856)	(104,463)
Due from related parties		-	9,652
Prepaid expenses and other assets		(8,406,280)	(5,889,572)
Accounts payable		19,272,738	(6,577,716)
Accrued expenses and other liabilities		16,539,012	(4,250,613)
Reinsurers' balances payable		(10,518,268)	1,583,674
Unearned premiums		171,543,958	27,291,815
Unearned reinsurance commission		4,451,595	182,732
Outstanding claims		677,903,013	23,605,294
Claims incurred but not reported		15,103,338	(7,011,333)
Premium deficiency reserve		(7,364,078)	(6,665,000)
Accrued surplus distribution		0	(814,361)
Due to related parties		(198,882)	198,882
		<u>136,629,015</u>	<u>(24,594,595)</u>
Cash used in operating activities			
Zakat and income tax paid	21	(4,936,921)	(4,676,950)
End-of-service benefits paid	23	(348,486)	(437,365)
		<u>131,343,608</u>	<u>(29,708,910)</u>
Net cash used in operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
disposals / (Additions) in investments	17	(13,619,069)	(34,813,477)
disposals / (Additions) in time deposits		(116,628,156)	6,303,290
Additions in property and equipment	14	(5,738,555)	(3,438,422)
		<u>(135,985,780)</u>	<u>(31,948,609)</u>
Net cash from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Right of use assets paid		(1,581,402)	(2,326,864)
		<u>(1,581,402)</u>	<u>(2,326,864)</u>
Net cash used in financing activities			
Net change in cash and cash equivalents		(6,223,574)	(63,984,382)
Cash and cash equivalents at the beginning of the year	5	85,343,072	149,327,454
Cash and cash equivalents at the end of the year	5	<u>79,119,498</u>	<u>85,343,072</u>
NON- CASH TRANSACTIONS:			
Changes in fair value of available for sale investments	17	(1,724,202)	(609,572)
Actuarial loss on defined benefit plan	23	31,327	979,090


Chief Financial Officer


Authorized Board Member


Chief Executive Officer

The accompanying notes 1 to 34 form part of these financial statements.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Arabia Insurance Cooperative Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243302 dated 18 Muharram 1429H (corresponding to 27 January 2008). The registered address of the Company is P.O. Box 28655, Riyadh 11323, Kingdom of Saudi Arabia.

The objectives of the Company is to transact cooperative insurance business and carry out related activities in the Kingdom of Saudi Arabia. Its principal activity includes all classes of general insurance, medical insurance, savings and protection. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 Muharram 1429H (corresponding to 4 February 2008). The Company started insurance and reinsurance operations on 4 Muhrram 1430H (corresponding to 1 January 2009).

On 14 Jumada Thani 1435H (corresponding to 14 April 2014), the Saudi Central Bank (SAMA) issued official approval numbered 351000076885 to amend the licence issued to the Company number TMN/15/20086 to transact insurance and reinsurance activities to be restricted to insurance activities only.

The Articles of Association are amendments and approved by the general assembly in the meeting dated 20 November 2022.

2. BASIS OF PREPARATION

Basis of measurement and preparation:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), the Companies Law, and the Company’s by law.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of revenues and expenses from joint operations is determined and approved by the management and the Board of Directors.

The financial statements are prepared on the going concern basis and on the historical cost basis, except for available-for-sale investments where they are measured at fair value and end of service benefits are measured at present value. The balance sheet is not displayed using the current / non-current classification. Nevertheless, the following balances are generally classified in circulation: cash and cash equivalents, insurance premiums receivable, reinsurance receivables, investments, deferred underwriting costs, prepaid expenses, other assets, accounts payable, reinsurers' receivables, outstanding claims, accrued expenses, other liabilities, provision for zakat, taxes, distribution of the surplus due and non-insurance premiums Earned, reimbursed share of unearned premiums, and deferred subscription costs unearned commission income,. The following balances are generally classified as non-current: end of service indemnities, statutory deposit, returns on statutory deposit, commission income payable to the Saudi Central Bank, claims incurred but not reported, and property and equipment, net.

The company presents the statement of financial position in order of liquidity.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in (Note 30) of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement and preparation: (continued)

SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for transactions and events in similar circumstances.

Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All amounts have been rounded to the nearest Riyal.

Financial year

The company's financial year begins on January 1 and ends on December 31 of each calendar year.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are other significant accounting judgments and estimates in preparing these financial statements:

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Actuaries use a range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

Significant accounting judgements, estimates and assumptions (continued)

The ultimate liability arising from claims made under insurance contracts - continued

Member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Impairment of financial assets

The Company determines that financial assets are impaired when there is a significant or prolonged decline in the fair value of the financial assets at their cost. Judgement is required for determination of what is important or long-term. A period of 6 months or longer is long term and a 35% reduction in the original cost is important in accordance with the Company's policy. In making this judgment, the Company evaluates amount other factors, normal volatility in share price, investor's financial solvency, industry and sector performance, changes in technology, and operating and financing cash flows.

Impairment of insurance premium receivable

A provision for impairment of receivables is made when there is objective evidence that the company will not be able to collect all amounts due in accordance with the original terms of the receivables. The debtor's significant financial difficulties, the possibility that the debtor will be in bankruptcy or the restructuring of financial regulation, default or delay in repayment are indications that the receivables have decreased in value.

Fair value of financial instruments

Fair values of investments available for sale are based on quoted prices of negotiable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments is determined in the absence of an active market or when quoted prices are not otherwise available using valuation techniques. In such cases, fair value is estimated through observable data in respect of similar financial instruments or using models. When observable market inputs are not available, they are estimated on the basis of appropriate assumptions when valuation techniques (for example, models) are used to determine fair values, which are periodically verified and reviewed by qualified personnel independent of those sources. All models are approved before use, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the practical extent, the models use only observable data; however, areas such as credit risk (special credit risk and counterparty risk), volatility and commitments from management require estimation.

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in preparing these financial statements are in line with those followed in preparing the annual financial statements for the year ended December 31, 2022. There are new standards, amendments and interpretations that apply for the first time in 2021, but do not have an impact on the financial statements of the company.

There are many other amendments and interpretations that were issued but did not become effective until the date of issuance of the company's financial statements. The company's board of directors believes that this will not have a significant impact on the company's financial statements. The company intends to adopt these amendments and interpretations, if applicable.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

Amendments to IAS 1, ‘Presentation of financial statements’ on classification of liabilities

These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Management expects that the interpretations and amendments to these new standards will be applied in the company’s financial statements when they are applicable, and the application of these interpretations and amendments may not have any material impact on the company’s financial statements in the initial application period.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company’s financial statements in the period of initial application.

IFRS 17 Insurance contract

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company will apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”).

a) Structure and status of the Implementation project

The IFRS 17 and IFRS 9 transitions were conducted based on the directives of the Saudi Central Bank (SAMA) based on a multi-phase project as follows:

- Phase 1: IFRS 17 Gap Analysis – March 2019.
- Phase 2: IFRS 17 Financial Impact Assessment – June 2020.
- Phase 3: IFRS 17 Implementation Plan - April 2021.
- Phase 4: IFRS 17 Implementation and Dry Runs – November 2021; September 2022; November 2022.

As for IFRS 9, the following project phases were followed:

- Gap Analysis – March 2022.
- Dry Run 1 – May 2022.
- Dry Run 2- November 2022.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATION (CONTINUED)
IFRS 17 Insurance contract (continued)

The governance structure of the transition and the related roles and responsibilities of the various stakeholders were as follows:

Group/Body	Roles and Responsibilities
IFRS 17 Working Group	Propose technical decisions and operational processes; and Produce draft documents in respect of the proposed decisions and processes.
Appointed Actuary	Provide consultation and/or approval of proposed technical decisions and operational processes, as necessary.
IFRS 17 Steering Committee	Consider, discuss and approve all decisions and processes proposed; Ensure that the IFRS 17 implementation activities are being carried out according to the project timelines.
External Audit	Sign-off on technical designs relative to the requirements of IFRS 17 and audit materiality.
Audit Committee	Ensure appropriate degree of discussion, challenge and review of all proposed decisions and processes.
Board of Directors	Take ultimate responsibility for the decisions and processes, following appropriate input from its sub-committees.

A number of tasks as of the date of these financial statements are in the process of being finalized. These mainly relate to completion of system iterations, integration and customization; inclusion of out-of-system data into the actuarial data set, and the hiring of additional resources as per the initial implementation plan. These issues however, will not impact the Company’s plan to be in compliance with regulatory and IFRS 17 requirements.

b) Significant Judgments and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard, January 1st, 2023:

a) Contracts within/outside the scope of IFRS 17

The Company has determined that all contracts currently classified as insurance contracts under IFRS 4 meet the definition of insurance contracts under IFRS 17, i.e. that there exist circumstances where the outgo under the contract would significantly exceed the premium income. This was deduced by the fact that the sums insured under all contracts significantly exceed the premium income charged on those contracts. No contracts were found that met the requirement of investment contracts with direct participation features.

b) Level of Aggregation

Portfolios will be split by sub line of business. This grouping meets the portfolio requirement of “similar risks” due to the following:

- Sub lines of business are grouped based on the risks covered under the contracts; and
- Contracts written within particular sub lines of business will cover similar perils and thus risks.

Furthermore, the portfolio requirement of “management together” is met as:

- Each line of business is generally underwritten and monitored separately, with separate underwriter for each main line of business; and

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

- The current actuarial valuation is done at a sub-line of business level, with these more granular results provided for internal management reporting.

The allocation of sub-lines to IFRS 17 portfolio is shown in the table below.

Line of Business (sub-line)	Measurement Portfolio	Disclosure Portfolio
Accident and Liability	Accident and Liability	P&C and Other
Motor TPL	Motor TPL	Motor
Motor Comprehensive	Motor Comprehensive	Motor
Property and Fire	Property and Fire	P&C and Other
Marine	Marine	P&C and Other
Engineering	Engineering	P&C and Other
Health Insurance - Medical SME	Health Insurance - Medical SME	Medical
Health Insurance - Medical Group	Health Insurance - Medical Group	Medical
Group life	Group life	P&C and Other

Based on the premium allocation approach eligibility (PAA) testing performed, all the segments above, including related reinsurance arrangements were deemed to be eligible for PAA measurement.

c) Significant Judgments and Estimates

i. Premium Allocation Approach (PAA) eligibility assessment:

Most of AICC's existing lines of business meet the requirement for automatic eligibility. AICC has the option to measure these groups under the PAA without performing any testing. In order to apply the PAA on groups that are not automatically PAA eligible, AICC performed testing on whether the liability for remaining coverage valuation under the PAA measurement model is materially different from that under the GM measurement model for all these groups.

The company will only perform quantitative eligibility testing for each profitability group within the existing portfolios at transition rather than testing each new cohort within a group at their respective inception dates. The assessment for future group cohorts will be done on a qualitative basis. After transition, eligibility testing would only be re-performed for the profitability groups within any newly introduced IFRS 17 portfolios, or if any of the trigger conditions occur impacting the groups within pre-existing IFRS 17 portfolios (i.e. where the qualitative assessment fails).

Eligibility testing broadly involves calculating the difference between the LFRC under the PAA and the liability for remaining coverage under the general model (including the contract service margin) at initial recognition and subsequent measurement at the external reporting frequency. Materiality was deemed to be a threshold of 10%.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

ii. Discounting methodology:

The Company has adjusted the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows.

Discount rates are derived using a bottom up approach utilizing the EIOPA (European insurance and occupational pension authority) rate as the risk free rate, adjusted for country risk and illiquidity.

Discounting is applied on liability for incurred claims components within the business sub-lines considering the duration of payment (whether direct or reinsurance) of claims can exceed a one year period.

iii. Risk Adjustment methodology

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

As the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion.

The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The Value at Risk (VAR) method was used to derive the overall risk adjustment for non-financial risk, with a level of confidence threshold of 75%. Risk adjustments range from 3% for motor, 4% for medical to 20% for other general lines of business.

i. Onerosity determination:

When classifying whether an insurance contract is onerous, an initial assessment of the expected loss ratio on each contract is performed. Fulfilment cash flows in respect of all lines/sub lines are analyzed, then be assessed for onerosity using a combined ratio rule. This ratio is calculated as the combination of the following:

- a. Gross expected loss ratio: reflects the cost of claims to premiums charged.
- b. Gross expense ratio: represents attributable expenses to the relevant business segments.
- c. Risk adjustment ratio: relates to the uncertainty of non-financial risks as derived by the actuarial study performed by management.

Based on the value of the combined ratio, the profitability assessment outcome would differ as follows:

- Combined ratio > 100% - Onerous

- Combined ratio > 80% but < 100% - Profitable with significant possibility of becoming onerous

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

- Combined ratio < 80% - Profitable with no significant possibility of becoming onerous.

ii. Provision for Doubtful Debts:

The methodology of doubtful debt provisioning was actuarially developed based on the receivables / collection history of the company. Gross premiums by line of business and client type are analysed against the allocated due dates. A percentage of bad debts is derived by time period/category after excluding one-off events and allowing for applicable trends.

iii. Reinsurer Default provision:

For reinsurer non-performance provisions, a loss given default is applied, primarily for treaty reinsurers where credit ratings are known. For facultative reinsurance deals, where the deal is set up through an intermediary (reinsurance broker), an actuarial analysis is performed based on due dates and payment patterns.

iv. Value added tax (VAT) treatment:

Value added tax is considered part of the fulfilment cash flows, and whereby provisions for bad debts are needed for premiums, the same process is applied for value added tax. Considering value added tax is paid out of the liability for remaining coverage, it is deemed not to be a part of the insurance service expense.

d) Accounting Policy Choices

i. Length of Cohorts

To ensure adequate alignment of cohort length with the Company's operational practices, which include the regulatory requirement of issuing interim financial statements, the Company will utilize quarterly cohorts for stated contracts/groups of contracts.

ii. Use of Other Comprehensive Income for insurance finance income or expense:

The Company deemed that there's no significant financing income or expense component associated with the liability for remaining coverage at transition. Accordingly, there's no impact on other comprehensive income associated with the financing element of the liability for remaining coverage.

iii. Unwinding of Discount on Risk Adjustment

There's no separate financing component associated with the risk adjustment. Accordingly, the unwinding of discount on risk adjustment will not be utilized.

iv. Expense Attribution

The Company has allocated expenses as follows:

- Attributable maintenance expenses: the Company has identified whether or not it is expected that such an expense is unavoidable due to entering the insurance contract. Where this is not obvious, the Company considered whether the activity resulting in the expense would continue if AICC were in run-off as expenses paid from activities still expected to take place in a run-off scenario would represent the cash flows required for the insurer to fulfil its obligations under such a contract.
- Attributable acquisition expenses: the Company has identified if the expense relates to acquiring new business in the immediate future, where for Company purposes, immediate future will refer to within the next quarter.
- Attributable reinsurance expenses: the Company has only allocated expenses from the reinsurance department and other relevant expenses specified in the contract to reinsurance contracts held. The attributable nature of these expenses will be assessed using the same principles as for insurance contracts.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

- Non-attributable expenses: all remaining expenses.

Allocation for the expected and actual expense cash flows will be done using appropriate proxies, drivers and allocation keys as necessary.

v. Deferral of Acquisition Cost

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- a. To that group; and
- b. To groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Acquisition cost is allocated to the relevant groups over the life of the contract, while acquisition cost that is not incurred is recognized as a deferred acquisition asset.

vi. Policyholder Surplus accounting

The transition to IFRS 17 will not impact the surplus balances previously booked in the balance sheet. Considering recovery from policyholders on previously allocated surplus is not possible in the case of IFRS 17 income being lower than that of IFRS 4, a similar approach will be adopted in case the income under IFRS 17 is higher than that of IFRS 4. A liability account will be created in the balance sheet until regulatory guidance is available.

Since surplus distribution is a regulatory requirement based on the ultimate profitability of policyholder accounts, no allowance shall be made for the surplus distribution when estimating fulfillment cash flows nor will the surplus distribution be considered to impact the ultimate loss ratio when determining onerosity.

e) Presentation and Disclosure

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognized in the statement of profit or loss and OCI into:

- (a) An insurance service result, comprising insurance revenue and service expenses;
- (b) Insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a gross basis.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service results .

.IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts, as well as disclosures about significant judgments made when applying IFRS 17.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

f) Transition

The Company is adopting IFRS 17 retrospectively, applying the full retrospective approach. The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date.

In addition, as all insurance contracts are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

The Company will present comparative financial statements for 2022, with the beginning shareholders accounts showing the impact of the transition.

c) Transition Impact:

3.1 Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of SR 3.9 million at January 1, 2022. The impact on equity at January 1, 2023 is currently being estimated and shall be disclosed in the financial reporting for the period January 1, 2023 to March 31, 2023. The below figures are based on dry run results and were not audited or reviewed, and are hence subject to change (all figures in Saudi Riyal):

Drivers of Changes in Equity	Impact on equity for the transition to IFRS 17 on January 1, 2022
Risk Adjustment	(7,364,519)
Loss Component	(6,766,032)
LFRC - Unearned premium	(458,407)
Liability for incurred claims	6,588,311
LFRC - Premium receivables	2,720,703
AFRC- RI Payables	1,376,349
Total Impact	(3,903,594)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 17 Insurance contract (continued)

3.2 Impact on Liabilities/Assets

	Impact on transition to IFRS 17 on January 1, 2022
Liabilities	
Risk Adjustment	17,659,228
Loss Component	7,659,151
LIC	(17,643,015)
Payables to Reinsurers	(1,376,349)
Other Liabilities	458,407
Total Impact on Liabilities	6,757,422
Assets	
RI Risk Adjustment	10,294,710
RI Loss Component	893,119
RI LIC	(11,054,704)
Premium Receivables	2,720,703
Total Impact on Assets	2,853,828

3.3 Sources of Uncertainties

Due to various operational and technical limitations, a level of uncertainty will be associated with the impact of transition along with the adequacy of adherence to the requirements of the standard. These issues include but are not limited to:

- Data limitations: Various sets of data historically were collected for IFRS 4 purposes, accordingly certain assumptions were made to incorporate out-of-system data into IFRS 17 calculations.
- IFRS 17 Solution: While various tests were performed to ensure the accuracy of figures generated by the IFRS 17 solution, the fact that this system is being used for the first set of financials creates a level of uncertainty.
- Use of judgments/assumptions: Several concepts in IFRS 17 rely on management judgements and the use of assumptions. Considering the guidelines do not define specifics for risk adjustment, discounting, and expense allocation, uncertainty will be present.
- Level of awareness: New concepts require time to be mastered by concerned personnel. Accordingly, there's an element of risk associated with first time implementation of the standard.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The effective date of implementation is January 1st, 2023, however for the sake of presenting comparative financial statements, transition impact will be reflected in the opening balance of 2022.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contract (continued)

1. Financial assets – Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the

Requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Financial assets – Impairment

The Company recognizes loss allowances for expected credit losses (ECL) on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Lease receivables (when applicable)

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognized is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Financial instruments for which 12-month ECL are recognized are referred to as ‘Stage 1 financial instruments’. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognized because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 9 Financial Instruments (continued)

The credit ratings as at the reporting / calculation date or the origination date to be used in the ECL calculation are those issued by either S&P, Moody's or Fitch. ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

3. Financial Liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.

- The remaining amount of the change in the fair value will be presented in profit or loss.

The Company expects no impact from adopting the requirements above. The Company has designated investment contract liabilities as at FVTPL because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis.

4. Impact Assessment

The Company estimates that application of the IFRS 9 impairment requirements at January 1, 2023 and 2022 will result in additional loss allowances. The recognition of additional loss allowances on adoption of IFRS 9 mainly relates to debt investments measured at FVOCI, as well as the reclassification of certain assets to FVTPL. Additionally, credit losses resulting from the ECL model for bonds and term deposits exceeding three months in duration after the cutoff date will be recognized.

The Company estimates that the application of the IFRS 9 including reclassification and impairment requirements to these investments will result in a reduction to shareholder accounts as stated below.

5. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognized at January 1, 2023; however, the Company will elect to apply the classification overlay in IFRS 17 to financial assets derecognized in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.

The following assessments have to be made on the basis of the facts and circumstances that exist at January 1, 2023:

- The determination of the business model within which a financial asset is held; - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity instruments not held for trading as at FVOCI.

If a financial asset has low credit risk at January 1, 2023, then the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

Estimated Change in the Company's equity due to initial application of IFRS 9:

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment to the balance of the Company's total equity

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)
IFRS 9 Financial Instruments (continued)

Is estimated to be a reduction of SR 161 thousand at January 1, 2022, as summarized below. The impact on equity at January 1, 2023 is currently being estimated and shall be disclosed in the financial reporting for the period January 1, 2023 to March 31, 2023.

Estimated Change in the Company's equity due to initial application of IFRS 9 (continued):

The results below are based on the outcome of a dry run, have not been subject to audit or review, and are hence subject to change (all amounts in Saudi Riyal)

<i>Adjustments due to adoption of IFRS 9</i>	<i>Impact on Equity January 1, 2022</i>
<i>Reclassification of financial assets</i>	<i>(95,388)</i>
<i>Impact of applying ECL model</i>	<i>(65,769)</i>
<i>Total Impact</i>	<i>(161,157)</i>

The impact of reclassification was a result of assigning debt instruments from the amortized cost category, under IAS 29, to the FVTPL under IFRS 9. Additionally, the impact of applying the ECL resulted from ECL models calculating expected credit losses for debt instruments and term deposits based on the rating and duration of the underlying asset.

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS 9 will have a total impact on equity in the amount of SR 4 M:

<i>Transition To</i>	<i>Impact on Equity January 1, 2022</i>
<i>IFRS17</i>	<i>(3,903,594)</i>
<i>IFRS9</i>	<i>(161,157)</i>
<i>Total Impact</i>	<i>(4,064,751)</i>

The above change in equity will affect the solvency ratio of the Company, which will be estimated and disclosed in the financial reporting for the period ended March 31, 2023.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, checks under deposit, current accounts at banks and time deposits with an original maturity of less than three months from the acquisition date.

Time deposits

Time deposits comprise of time deposits at bank with original maturity of more than three months and less than one year at the date of acquisitions.

Premiums and reinsurance balances receivable

Premiums and reinsurance balance receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums and reinsurance balances receivable are derecognized when the de-recognition criteria for financial assets have been met.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income - insurance operations and statement of income shareholders' operations as they are consumed or expire with the passage of time.

Investment and other financial assets

a. Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets except in case of financial assets at fair value through profit or loss. The Company's financial assets include receivables and available for sale investments.

b. Classification and subsequent measurement

Financial assets are classified into the following specified categories: Investment at fair value through profit or loss, available-for-sale financial assets, held to maturity and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

ii. Available-for-sale investments

Available-for-sale investments ("AFS") include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity through other comprehensive income – shareholders' operations captioned under 'fair values reserve of available-for-sale investments'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of income - shareholders' operations. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a 'first in first out' basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest method. Dividends earned on holding AFS investments are recognised in the statement of income –

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shareholders' operations when the right of receipt has been established. The losses arising from impairment of such investments are recognised in the statement of comprehensive income - shareholders' operations.

This classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

iii. Held to maturity investments

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has positive intentions and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of income - insurance operations. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use

iv. Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income - insurance operations and accumulated surplus / shareholders' operations. Impairment is determined as follows:

For financial assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the statement of income - insurance operations accumulated surplus / shareholders' operations.

For financial assets carried at cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For financial assets carried at amortized cost, impairment is determined based on the future cash flows that are discounted at the original effective interest rate.

Financial liabilities

a. Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities except liabilities at fair value through statement of income.

b. Classification and subsequent measurement

Since the Company does not have financial liabilities classified at Fair value through statement of income, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of income - insurance operations on a straight line basis over the estimated useful lives of assets. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Leasehold improvements	4
Furniture and fixtures	10
Motor vehicles	5
Computers and office equipment	3-5

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts. The carrying amount of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The gain or loss on disposal of an item of property and equipment (which is calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the statement of income.

Right to use assets and lease liabilities

The Company has recognised new assets and liabilities for operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date
- Less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments),
- Less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less. It includes impaired assets related to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the term of the lease, management takes into account all facts and circumstances that create an economic incentive to exercise the option of extension, or not to exercise the option of termination. Extension options are only included in the term of the lease if the lease is fairly certain. When determining the lease term, management generally takes into account certain factors including historical lease periods and business interruption costs required to replace the leased asset.

Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Zakat and income tax

Zakat is levied on the equity accounts of the Saudi Shareholders and the general public, while the income tax is levied to the equity accounts of the non-Saudi shareholders and the Zakat and Income Tax provisions are charged to the statement of income.

Deferred income tax

Deferred income tax, if any, is calculated using the liability basis for the temporary differences arising between the book balances of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The deferred tax value is measured at the tax rates that are expected to be applied or the carrying amount of the assets and liabilities are settled, except for the tax rates that have been enacted or approximately enacted at the end of the reporting period. Deferred tax should be recognized only to the extent that it is probable that future taxable profit will be available and credit can be used.

Deferred tax assets are reduced to the extent that they are no longer probable, so that the related tax benefits are recognized. An offsetting is made between deferred tax assets and liabilities when there is a legally enforceable right to set off between current tax assets and current tax liabilities that relate to income taxes imposed by the same tax authority and which have the right to set off, which is intended to either settle on a net basis or achieve the assets and settle liabilities at the same time.

Current and deferred taxes are recognized in profit or loss, except for the amount related to transactions that are recognized in the statement of comprehensive income or directly to shareholders' equity. In this case, the tax must be recognized as well.

Employees' end-of-service benefits

The Company provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on independent actuarial valuation, in accordance with the requirements of IAS 19 "Employee Benefits" using projected unit credit method. The Company has carried out actuarial valuation in current year. All past service costs are recognized as an expense immediately in statement of income.

Short term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Reinsurance contracts

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired, and is written down to its recoverable amount. Impairment, if any, is recognised in the statement of income - insurance operations.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Reinsurance arrangements do not relieve the Company for its obligation to policyholders.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of income - insurance operations and accumulated surplus in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, together with related claim handling cost whether reported by the insured or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims Incurred But Not Reported (IBNR) at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of income - insurance operations. The Company does not discount its liabilities for unpaid claims, as substantially all claims are expected to be paid within one year of the reporting date.

Reinsurance claims are recognized when the related gross insurance claim is recognised according to the term of the relevant contract.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to unearned premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of income.

Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contract liabilities less net of related deferred policy acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Premiums earned and commission income

Premiums are taken into income in the statement of income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represent premiums earned, fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses of the effective policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Actual number of days for all other lines of business.
- Regarding marine cargo, the unearned premiums represent the gross premiums written during the last three months of the current financial year.
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premium are earned in the first year which gradually increases towards the end of the tenure of the policy.

Commission income

Commission income from time deposits is recognized on an effective yield basis.

Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its annual net income to the statutory reserve until it has built up a reserve equal to 100% of the share capital. This allocation has not been made for the year ended 31 December 2022 taking into account the accumulated losses.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade date

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rate prevailing at the statement of financial position date. All translation differences are taken to the statement of income.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amounts reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Revenues and expenses are not offset in the statement of income unless required or permitted by any accounting standards on their interpretations.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, The Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire, provides coverage against fire and any other insurance included under this class of insurance.
- Engineering, provides coverage for builder's risks, construction, mechanical, electrical, electronic work, and machinery disruption and any other insurance included under this class of insurance.
- Marine, provides coverage for goods in transit and the vehicles of transportation on main roads, and any other insurance included under this class of insurance.
- Other insurance classes, which cover any other classes of insurance not mentioned above.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of the financial statements of the Company.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. CASH AND CASH EQUIVALENTS

		2022		
	<i>Note</i>	<i>Insurance operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Total</i> SR
Cash on hand		90,242	-	90,242
Current accounts at banks		34,297,082	964,023	35,261,105
Time deposits	5.1	-	43,768,151	43,768,151
		<u>34,387,324</u>	<u>44,732,174</u>	<u>79,119,498</u>

		2021		
	<i>Note</i>	<i>Insurance operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Total</i> SR
Cash on hand		24,951	-	24,951
Current accounts at banks		26,198,856	1,098,726	27,297,582
Time deposits	5.1	-	58,020,539	58,020,539
		<u>26,223,807</u>	<u>59,119,265</u>	<u>85,343,072</u>

5.1 Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. The average variable commission rate on time deposits at end of the year is 2.76% per annum (31 December 2021: 0.78% per annum). Current accounts and time deposits are placed with counterparties who have good investment grade credit ratings. The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

6. TIME DEPOSITS

Time deposits are placed with a maturity of more than three months from the date of original acquisition and earn special commission income at an average rate of 3.94% per annum (31 December 2021: 3.49% per annum).

Time deposits are deposited with other parties having good investment grade credit ratings. The carrying amount disclosed above approximates the fair value at the statement of financial position date.

7. PREMIUMS AND REINSURANCE RECEIVABLE, NET

		2022 SR	2021 SR
Policyholders		239,953,953	190,709,753
Less: Provision for doubtful debt	7.1	<u>(49,753,427)</u>	<u>(49,376,279)</u>
		190,200,526	141,333,474
Reinsurance balances receivable		47,837,631	13,247,232
Less: Provision for doubtful debt	7.2	<u>(4,738,705)</u>	<u>(3,603,754)</u>
		43,098,926	9,643,478
Total premiums and reinsurance balances receivable, net		<u>233,299,452</u>	<u>150,976,952</u>

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

7. PREMIUMS AND REINSURANCE RECEIVABLE, NET (CONTINUED)

7.1 The movement in the provision for doubtful debt during the year for policyholders is as follows:

	2022	2021
	SR	SR
Provision at the beginning of the year	49,376,279	59,093,630
(Reverse) / Charge for the year	377,148	(9,717,351)
Written off during the year	-	-
Provision at the end of the year	49,753,427	49,376,279

7.2 The movement in the provision for doubtful debt during the year for reinsurers is as follows:

	2022	2021
	SR	SR
Provision at the beginning of the year	3,603,754	3,534,816
(Reverse) / Charge for the year	1,134,950	68,938
Written off during the year	-	-
Provision at the end of the year	4,738,704	3,603,754

7.3 The ageing analysis of premiums and reinsurance balances receivable as at 31 December is as follows:

	Past due but not impaired			
	Total	Less than 30 days	31 to 90 days	Past due and impaired
	SR	SR	SR	SR
2022	287,791,584	101,063,045	92,611,001	94,117,538
2021	203,956,983	90,559,661	25,147,574	88,249,748

Premium receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance receivables comprise customers mainly within Europe and Kingdom of Saudi Arabia. Premiums receivable and reinsurance receivables do not include amounts in foreign currencies. No individual or corporate account is more than 9.11% of premiums receivable as at 31 December 2022 (31 December 2021: 11.48%). In addition, the ten largest customers' accounts constitute 43.94% of premiums receivable as at 31 December 2022 (31 December 2021: 40.12%).

The Company, based on its past experience, expects to fully recover its past due and not impaired premiums and reinsurance balances receivable. It is not the policy of the Company to obtain collateral with respect to premiums receivable and all therefore unsecured.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. DEFERRED POLICY ACQUISITION COSTS

	2022	2021
	SR	SR
Balance as at 1 January	<u>11,122,225</u>	<u>11,017,762</u>
Paid during the year	54,417,770	32,945,442
Amortised during the year	(41,484,914)	(32,840,979)
Balance as at 31 December	<u>24,055,081</u>	<u>11,122,225</u>

9. UNEARNED PREMIUMS

	<i>Note</i>	2022	2021
		SR	SR
Gross unearned premiums at the beginning of the year	9.1	168,094,359	140,802,544
Gross unearned premiums at year end	9.1	339,638,317	168,094,359
Change in gross unearned premiums		<u>(171,543,958)</u>	<u>(27,291,815)</u>
Reinsurers' share of unearned premiums at the beginning of the year	9.1	47,877,264	42,904,729
Reinsurers' share of unearned premiums at year end	9.1	39,551,495	47,877,264
Change in reinsurers' share of unearned premiums		<u>(8,325,769)</u>	<u>4,972,535</u>
Change in unearned premiums, net		<u>(179,869,727)</u>	<u>(22,319,280)</u>

9.1 Movement of gross unearned premiums and reinsurance share of unearned premiums:

	2022			2021		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>SR</i>	<i>share</i>	<i>SR</i>	<i>SR</i>	<i>share</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Opening balance	168,094,359	(47,877,264)	120,217,095	140,802,544	(42,904,729)	97,897,815
Written premium during the year	733,193,225	(127,117,573)	606,075,652	422,322,603	(131,245,255)	291,077,348
Earned premium during the year	(561,649,267)	135,443,342	(426,205,925)	(395,030,788)	126,272,720	(268,758,068)
Closing balance	<u>339,638,317</u>	<u>(39,551,495)</u>	<u>300,086,822</u>	168,094,359	(47,877,264)	120,217,095

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10. OUTSTANDING CLAIMS

	2022		
	<i>Gross SR</i>	<i>Reinsurers' share SR</i>	<i>Net SR</i>
Paid claims	356,287,093	(61,225,913)	295,061,180
Provided claims during the year	677,903,013	(674,280,995)	3,622,018
IBNR claims during the year	15,103,338	721,946	15,825,284
Claims incurred during the year	1,049,293,444	(734,784,962)	314,508,482
Outstanding claims as at 1 January	104,492,463	(70,586,697)	33,905,766
IBNR claims as at 1 January	52,970,390	(8,345,878)	44,624,512
	<u>157,462,853</u>	<u>(78,932,575)</u>	<u>78,530,278</u>
Outstanding claims as at 31 December	782,395,476	(744,867,692)	37,527,784
IBNR as at 31 December	68,073,728	(7,623,932)	60,449,796
	<u>850,469,204</u>	<u>(752,491,624)</u>	<u>97,977,580</u>
Change in outstanding claims, net	(693,006,351)	673,559,049	(19,447,302)

	2021		
	<i>Gross SR</i>	<i>Reinsurers' share SR</i>	<i>Net SR</i>
Paid claims	278,098,796	(42,254,776)	235,844,020
Provided claims during the year	23,605,294	(36,608,850)	(13,003,556)
IBNR claims during the year	(7,011,333)	1,032,847	(5,978,486)
Claims incurred during the year	294,692,757	(77,830,779)	216,861,978
Outstanding claims as at 1 January	80,887,169	(33,977,846)	46,909,323
IBNR claims as at 1 January	59,981,723	(9,378,725)	50,602,998
	<u>140,868,892</u>	<u>(43,356,571)</u>	<u>97,512,321</u>
Outstanding claims as at 31 December	104,492,463	(70,586,697)	33,905,766
IBNR as at 31 December	52,970,390	(8,345,878)	44,624,512
	<u>157,462,853</u>	<u>(78,932,574)</u>	<u>78,530,279</u>
Change in outstanding claims, net	(16,593,961)	35,576,003	18,982,042

11. CLAIMS DEVELOPMENT TABLE

The following table represents cumulative incurred claims including both cumulative incurred claims and reported and incurred but not reported claims at each financial position date, in addition to the cumulative payments up to date.

The Company aims to maintain adequate reserves in respect of its insurance business in anticipation of future claims. As claims develop and the ultimate cost of claims becomes certain, the related reserves are to be amortized. The Company transfers the amortized reserves to current accident year reserves when the development of claims is incomplete and includes material uncertainty related to the ultimate cost of claims.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. CLAIMS DEVELOPMENT TABLE (CONTINUED)

The analysis of total claims according to accident years is as follows:

Accident Year	2022 (GROSS)					
	<i>2018 and earlier</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	2,433,989,118	320,810,160	235,676,183	314,223,141	1,045,744,863	4,350,443,465
One year later	1,845,474,862	248,692,023	222,551,540	312,442,327	-	2,629,160,752
Two years later	1,855,440,868	244,562,079	221,697,377	-	-	2,321,700,324
Three years later	1,857,523,444	242,615,678	-	-	-	2,100,139,122
Four years later	1,853,292,224	-	-	-	-	1,853,292,224
Current cost of cumulative claims	1,853,292,224	242,615,678	221,697,377	312,442,327	1,045,744,863	3,675,792,469
Less: Cumulative payments to date	1,836,191,270	235,021,063	217,617,121	293,279,785	243,214,026	2,825,323,265
Total gross outstanding claims and reserves in the statement of financial position	17,100,954	7,594,615	4,080,256	19,162,542	802,530,837	850,469,204

Accident Year	2021 (GROSS)					
	<i>2017 and earlier</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	2,149,437,393	284,551,725	320,810,160	235,676,183	314,223,141	3,304,698,602
One year later	1,625,957,351	219,517,511	248,692,023	222,551,540	-	2,316,718,425
Two years later	1,623,601,909	231,838,959	244,562,079	-	-	2,100,002,947
Three years later	1,628,446,835	229,076,609	-	-	-	1,857,523,444
Four years later	1,624,105,519	-	-	-	-	1,624,105,519
Current cost of cumulative claims	1,624,105,519	229,076,609	244,562,079	222,551,540	314,223,141	2,634,518,888
Less: Cumulative payments to date	1,603,701,335	224,763,735	233,646,423	215,247,164	199,697,378	2,477,056,035
Total gross outstanding claims and reserves in the statement of financial position	20,404,184	4,312,874	10,915,656	7,304,376	114,525,763	157,462,853

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. CLAIMS DEVELOPMENT TABLE (CONTINUED)

The analysis of net claims according to accident years is as follows:

2022 (in NET)

Accident Year	2018 and earlier	2019	2020	2021	2022	Total
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	1,260,624,866	206,456,610	175,919,519	233,339,345	311,343,294	2,187,683,634
One year later	1,154,435,479	164,347,492	165,799,487	234,884,061	-	1,719,466,519
Two years later	1,155,389,645	160,644,058	164,775,474	-	-	1,480,809,177
Three years later	1,163,296,217	159,346,423	-	-	-	1,322,642,640
Four years later	1,156,910,041	-	-	-	-	1,156,910,041
Current cost of cumulative claims	1,156,910,041	159,346,423	164,775,474	234,884,061	311,343,294	2,027,259,293
Less: Cumulative payments to date	1,153,620,828	155,972,363	162,773,759	230,123,146	226,791,617	1,929,281,713
Total net outstanding claims and reserves in the statement of financial position	3,289,213	3,374,060	2,001,715	4,760,915	84,551,677	97,977,580

2021 (in NET)

Accident Year	2017 and earlier	2018	2019	2020	2021	Total
	SR	SR	SR	SR	SR	SR
Estimate of ultimate claims cost:						
At the end of accident year	1,074,621,516	186,003,350	206,456,610	175,919,519	233,339,345	1,876,340,340
One year later	1,007,917,805	146,517,674	164,347,492	165,799,487	-	1,484,582,458
Two years later	999,775,085	155,614,560	160,644,058	-	-	1,316,033,703
Three years later	1,010,195,310	153,100,907	-	-	-	1,163,296,217
Four years later	1,007,451,395	-	-	-	-	1,007,451,395
Current cost of cumulative claims	1,007,451,395	153,100,907	160,644,058	165,799,487	233,339,345	1,720,335,192
Less: Cumulative payments to date	1,000,459,627	151,241,145	155,814,127	161,000,530	173,289,484	1,641,804,913
Total net outstanding claims and reserves in the statement of financial position	6,991,768	1,859,762	4,829,931	4,798,957	60,049,861	78,530,279

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

12. PREPAYMENTS AND OTHER ASSETS

	2022		
	<i>Insurance operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Total</i> SR
Prepaid expenses	10,299,113	631,429	10,930,542
Advances to suppliers	1,738,118	1,750,578	3,488,696
Bank guarantee	2,708,500	-	2,708,500
Employees receivables	2,909,828	-	2,909,828
Deferral of TPA medical fees	8,675,112	-	8,675,112
Accrued commission	883,165	797,985	1,681,150
	<u>27,213,836</u>	<u>3,179,992</u>	<u>30,393,828</u>
	2021		
	<i>Insurance operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Total</i> SR
Prepaid expenses	10,249,905	347,995	10,597,900
Advances to suppliers	1,960,890	1,048,988	3,009,878
Bank guarantee	2,709,500	-	2,709,500
Employees receivables	2,043,783	-	2,043,783
Deferral of TPA medical fees	2,775,116	-	2,775,116
Accrued commission	381,110	1,000,289	1,381,399
Others	1,685,507	-	1,685,507
	<u>21,805,811</u>	<u>2,397,272</u>	<u>24,203,083</u>

13. THE RIGHT TO USE THE ASSETS AND LEASE LIABILITIES

The following table shows the balance of right to use assets in addition to the depreciation charged on each of the following items:

	31 December 2022		31 December 2021	
	SR	SR	SR	SR
	Depreciation	Balance	Depreciation	Balance
Building	<u>1,917,918</u>	<u>1,296,797</u>	2,157,237	3,214,715
	<u>1,917,918</u>	<u>1,296,797</u>	2,157,237	3,214,715

The lease liabilities at the end of the year are as follows:

	2022 SR	2021 SR
The non-current portion of the lease obligations	1,200,751	2,667,556
The current portion of the lease obligations	35,276	74,936
	<u>1,236,027</u>	<u>2,742,492</u>

Funding interest from lease contract obligations during the year ended December 31, 2022 amounted to SAR 74,936 (2021: SAR 158,230)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

14. PROPERTY AND EQUIPMENT, NET

	<i>Leasehold improvements</i> SR	<i>Furniture and fixtures</i> SR	<i>Motor vehicles</i> SR	<i>Computers and Office equipment</i> SR	<i>Total</i> SR
<u>Cost:</u>					
Balance at 1 January 2021	4,166,269	6,140,663	507,410	19,206,036	30,020,378
Additions during the year	22,201	281,932	576,180	2,558,109	3,438,422
Disposals during the year	-	-	-	-	-
Balance at 31 December 2021	4,188,470	6,422,595	1,083,590	21,764,145	33,458,800
Additions during the year	278,178	437,521	132,500	4,890,356	5,738,555
Disposals during the year	-	-	-	-	-
Balance at 31 December 2022	4,466,648	6,860,116	1,216,090	26,654,501	39,197,355
<u>Accumulated depreciation:</u>					
Balance at 1 January 2021	1,834,228	6,140,663	364,417	15,082,345	23,421,653
Charge for the year	338,684	231,946	121,445	1,927,118	2,619,193
Disposals during the year	-	-	-	-	-
Balance at 31 December 2021	2,172,912	6,372,609	485,862	17,009,463	26,040,846
Charge for the year	313,761	52,198	165,668	2,472,269	3,003,896
Disposals during the year	-	-	-	-	-
Balance at 31 December 2022	2,486,673	6,424,807	651,530	19,481,732	29,044,742
<u>Net book value as at</u>					
As at 31 December 2022	1,979,975	435,309	564,560	7,172,769	10,152,613
As at 31 December 2021	2,015,559	49,986	597,728	4,754,682	7,417,955

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022		
	<i>Insurance operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Total</i> SR
Payable to suppliers and brokers	30,292,580	-	30,292,580
Accrued Withholding tax	5,543,042	-	5,543,042
Accrued CCHI fees	1,110,528	-	1,110,528
Board of directors' attendance allowances and expenses	-	1,169,914	1,169,914
Others	-	167,335	167,335
	36,946,150	1,337,249	38,283,399
	2021		
	<i>Insurance operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Total</i> SR
Payable to suppliers and brokers	20,263,592	-	20,263,592
Accrued Withholding tax	616,422	-	616,422
Accrued CCHI fees	413,201	-	413,201
Board of directors' attendance allowances and expenses	-	1,033,914	1,033,914
Others	1,465,459	167,335	1,632,794
	22,758,674	1,201,249	23,959,923

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

16. UNEARNED REINSURANCE COMMISSION

	2022	2021
	SR	SR
Balance as at 1 January	3,460,509	3,277,777
Commission received during the year	27,852,965	28,000,959
Commission earned during the year	(23,401,370)	(27,818,227)
Balance as at 31 December	7,912,104	3,460,509

17. INVESTMENTS

Investments components of the following:

	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' Operations	Total	Insurance operations	Shareholders' Operations	Total
	SR	SR	SR	SR	SR	SR
Investments available for sale	-	74,382,561	74,382,561	-	62,292,662	62,292,662
Investments held to maturity *	32,450,625	47,596,538	80,047,163	31,903,125	46,836,631	78,739,756
Total	32,450,625	121,979,099	154,429,724	31,903,125	109,129,293	141,032,418

* Bonds are stated in the statement of financial position at amortized cost. The fair value of investments acquired to maturity amounted to SR 76,595,422 (31 December 2021: SR 81,096,303).

a. The following is an analysis of the components of available-for-sale investments for shareholders' operations:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
Mutual funds	35,208,857	30,068,462	933,697	2,033,698	36,142,554	32,102,160
Investment						
Portfolio	11,075,955	-	-	-	11,075,955	-
Bonds	23,799,205	27,491,572	1,441,770	775,853	25,240,975	28,267,425
Stocks	1,923,077	1,923,077	-	-	1,923,077	1,923,077
Total	72,007,094	59,483,111	2,375,467	2,809,551	74,382,561	62,292,662

- The movement of investments available for sale to shareholders' operations is as follows:

	2022	2021
Balance on 1 January	109,129,293	71,500,387
Additions	78,918,564	148,292,189
Disposals	(64,746,994)	(112,728,712)
Realized profit during the period	1,502,439	2,675,001
Change in fair value of investments	(1,724,203)	(609,572)
Impairment charges of available for sale Investment	(1,100,000)	-
Balance on 31 December	121,979,099	109,129,293

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS – (CONTINUED)

b. The following is an analysis of the investments held to maturity of the insurance operations:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
Fixed yield bonds	29,825,625	28,903,125	2,625,000	3,000,000	32,450,625	31,903,125
0Total	29,825,625	28,903,125	2,625,000	3,000,000	32,450,625	31,903,125

- The following is an analysis of the investments held to maturity of shareholders' operations:

	Local		Foreign		Total	
	2022	2021	2022	2021	2022	2021
Fixed yield bonds	34,841,850	34,055,693	12,754,688	12,780,938	47,596,538	46,836,631
Total	34,841,850	34,055,693	12,754,688	12,780,938	47,596,538	46,836,631

All the above bonds are listed and classified (A1/BBB+) by Moody's and Fitch. The average interest rate was 3.57% per annum (31 December 2021: 3.55%). The maturity date of these bonds extends up to 2031.

The movement of investments held to maturity for insurance operations is as follows:

	2022	2021
Balance on 1 January	31,903,125	32,653,125
Disposal /Additions	547,500	(750,000)
Balance on 31 December	32,450,625	31,903,125

c. The following table presents an analysis of financial instruments recorded at fair value in accordance with the fair value hierarchy:

	2022			
	Level 1	Level 2	Level 3	Total
Investments available for sale				
Mutual funds and portfolios	-	35,208,857	933,697	36,142,554
Stock portfolio	11,075,955	-	-	11,075,955
Bonds / Sukuk	4,183,378	21,057,597	-	25,240,975
Stocks	-	-	1,923,077	1,923,077
Total	15,259,333	56,266,454	2,856,774	74,382,561
	2021			
	Level 1	Level 2	Level 3	Total
Investments available for sale				
Mutual funds and portfolios	-	32,102,160	-	32,102,160
Bonds / Sukuk	28,267,425	-	-	28,267,425
Stocks	-	-	1,923,077	1,923,077
Total	28,267,425	32,102,160	1,923,077	62,292,662

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

17. INVESTMENTS – (CONTINUED)

Change in Fair Value hierarchy:

Following reclassifications were done I respect of Fair value Hierarchy:

Security Name	Amount	Previous Fair Value Level	Current Fair Value Level
Mutual funds and portfolios	933,697.53	Level 2	Level 3
Bonds/Sukuks	21,057,597	Level 1	Level 2

Shifting between the Fair Value Level hierarchy is in compliance with the IFRS-13 requirements based on the active market considerations and listing over the relevant stock exchanges.

18. STATUTORY DEPOSITS

The deposit represents 10% of the paid-up share capital, in accordance with the requirements of the Cooperative Insurance Companies Control Law in Saudi Arabia. This statutory deposit cannot be withdrawn without the approval of the Saudi Central Bank. During 2016 the capital was reduced from 400 million Saudi riyals to 265 million Saudi riyals. The company contacted the Saudi Central Bank for the purpose of requesting the withdrawal of the surplus from the statutory deposit, as the Saudi Central Bank stated that, according to Article Fifty-two of the Executive Regulations, the statutory deposit increased to 15% of the capital after the reduction, and the company did not withdraw the surplus, which is worth 250 thousand Saudi riyals. The company deposited the statutory deposit in the Arab National Bank.

19. SHARE CAPITAL

As at 31 December ,2022 and 31 December 2021 , the authorized , subscribed and paid up share capital of the company was SAR 265 million , divided into 26.5 million shares at nominal value of SAR 10 each .On Rabi-Al-Thani 26, 1444 H corresponding to 20 November 2022 The extra -ordinary general assembly approved increasing the capital by 100%, accordingly a total of 26.5 million right shares was issued at a nominal value of SAR 10 per share. The new share capital amounting to SAR 530 million will be reported in the interim condensed financial statements for the three months period ended 31 March 2023. Noting that the company received the funds from the issuance of the capital increase shares on Jumada -Al-Thani 25, 1444 H Corresponding to 18 January 2023.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2022			2021		
	<i>Insurance operations SR</i>	<i>Shareholders' Operations SR</i>	<i>Total SR</i>	<i>Insurance operations SR-</i>	<i>Shareholders' operations SR</i>	<i>Total SR</i>
Employees' costs	38,330,357	-	38,330,357	32,817,893	-	32,817,893
Supervision and inspection costs	7,095,504	-	7,095,504	2,865,638	-	2,865,638
Claim management Fees	11,090,920	-	11,090,920	6,764,537	-	6,764,537
Stationery and printing	6,785,218	-	6,785,218	6,092,725	-	6,092,725
Advertising	441,809	-	441,809	153,200	-	153,200
Legal and professional fees	10,838,597	60,300	10,898,897	8,011,314	198,944	8,210,258
Rents	616,094	194,397	810,491	519,905	178,197	698,102
Right of use assets depreciation	1,917,918	-	1,917,918	2,157,237	-	2,157,237
Lease liability finance charges	74,936	-	74,936	158,230	-	158,230
Depreciation (note 14)	3,003,896	-	3,003,896	2,619,193	-	2,619,193
Insurance expenses	2,627,819	-	2,627,819	2,518,355	-	2,518,355
Communication expenses	2,210,714	-	2,210,714	2,334,310	-	2,334,310
Travelling and accommodation	289,838	28,282	318,120	176,506	19,252	195,758
Board of directors' attendance allowance and expenses	-	610,500	610,500	-	980,000	980,000
Withholding tax and VAT expenses	3,244,196	-	3,244,196	93,356	-	93,356
Bank charges	-	236,926	236,926	1,660,431	155,224	1,815,655
Training expenses	224,214	-	224,214	132,768	20,348	153,116
Others	10,016,636	63,634	10,080,270	2,757,636	70,472	2,828,108
	98,808,666	1,194,039	100,002,705	71,833,234	1,622,437	73,455,671

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. ZAKAT AND INCOME TAX ACCRUED

a. Zakat

The zakat base is composed of the following:

	2022	2021
	SR	SR
Share capital	265,000,000	265,000,000
Provisions	68,542,326	76,430,071
Property and equipment, net	(10,152,613)	(7,416,919)
Available-for-sale investments	(1,923,077)	(1,923,077)
Statutory deposits	(40,000,000)	(40,000,000)
Deferred policy acquisition costs	(24,055,081)	(11,122,225)
Accumulated losses	(49,496,359)	(43,978,974)
	207,915,196	236,988,876
Adjusted income / (loss)	14,484,044	(5,220,605)
Zakat base	222,399,240	231,768,271

	2022	2021
	SR	SR
Zakat for the year		
The zakat charge for the year consists of the following:		
Share of the Saudi founding shareholders and general public from the Zakat base at 71.6% (2021: 71.6%)	163,307,813	164,463,430
Zakat for the year at 2.5%	4,198,307	4,255,386

b. Income tax

Income tax charge for the year consists of the following:

	2022	2021
	SR	SR
Share of the non-Saudi shareholders from the adjusted net income for the year at 28.4% (2021: 28.4%) (after computation of accumulated losses)	5,675,514	(2,130,734)
Provision for income tax (20%)	935,598	-
Zakat and income tax for the year	5,133,906	4,255,386

The Company charged an estimated amount of Zakat and income tax for the year ended 31 December 2022 by SR 4,083,841 (31 December 2021: SR 5,528,064).

c. Movement of zakat and income tax provision during the year are as follows:

	2022	2021
	SR	SR
Provision at the beginning of the year	7,652,889	6,281,980
Charge for the year	4,500,000	5,528,064
Prior years' adjustments	-	519,795
Paid during the year	(4,936,921)	(4,676,950)
	7,215,968	7,652,889

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. ZAKAT AND INCOME TAX ACCRUED – (CONTINUED)

d. Status of assessment

The company submitted its tax and zakat returns to the zakat tax and customs authority for all years up to the fiscal year ending on December 31, 2021, and the company has received a final certificate for the fiscal year ending December 31, 2021.

Zakat, income tax and withholding tax

During the year 2022, the company's objection to the zakat assessments made by the Zakat, Tax and Customs Authority for the years 2019 and 2020 was discussed, and this resulted in a partial acceptance of the company's objection, as it received notices of partial acceptance, and the company filed a lawsuit before the general secretariat of the Zakat, Tax and customs Committees regarding the items that were rejected by the commission which has been accepted by the secretariat on September 6, 2022, a hearing was attended before the first circuit to adjudicate income tax violations and disputes in the city of Dammam. On September 29, 2022, the company received the decision of this department, as the company's opinion was supported in one of the controversial item. The company saw that it is satisfied with the issued decision or not, regarding the items it lost, and the company will have the right to respond and complete the case until the stage of issuing a final decision that is binding on all parties.

On July 31, 2022, the company received the decision of the First appeal department for income tax violations and Disputes regarding the lawsuit filed by the company against the Zakat, Tax and Customs Authority regarding the zakat and tax assessment amended by the Authority for the years 2013 and 2014. The company's opinion was supported regarding same controversial items with an amount of 4,291,133 riyals while other items were rejected in the amount of 701,885 riyals, and amended assessments were issued according to this decision by the authority, and the company paid the amount due accordingly.

Also during the year 2022, on August 23, 2022, a hearing was attended on the lawsuit filed by the company against the Zakat, Tax and Customs Authority, regarding the amendment of withholding tax returns submitted for the years from 2015 to 2017. A decision was issued by the first Circuit to adjudicate income tax violations and disputes in the city of Dammam on September 27, 2022, the company appealed this decision within the statutory deadline.

Also, during the year 2022 on August 28, 2022, a hearing was attended before the First Circuit to adjudicate income tax violations and disputes in the city of Riyadh, regarding the lawsuit filed by the company against the Zakat & Tax assessment and withholding tax assessment amended by the Authority for the year 2018. On September 20, 2022, the company received the decision issued by this department, in which the items in question were partially accepted and other items were rejected. An appeal against this decision was made within the statutory deadline.

In order to provide more documents supporting the company's position against imposing a withholding tax on local reinsurance premiums by the Zakat, Tax and Customs Authority, the company has appointed a tax advisor for the purpose of providing an independent certificate proving that the company has indirectly paid the waived reinsurance premiums for the years 2015 to 2018 to reinsurers Non-local insurance through local reinsurance brokerage companies to these local brokerage companies, and therefore these premiums may not be subject to withholding tax.

Value added tax

On October 25, 2021, the company received the decisions issued by the First The Tax Committees for Resolution of Tax Violations and Disputes, which ruled to reject the appeal submitted by the company to the decision of the Second Chamber to settle value-added tax violations and disputes in the lawsuits filed against the Zakat, Tax and Customs Authority regarding its assessment of value tax. The added value for the years 2018 and 2019 resulted in the company incurring the amount paid as a result of this assessment, amounting to 3,007,268 Saudi riyals, which was recorded as a tax expense during this period.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

22. RELATED PARTY TRANSACTIONS AND BALANCES

a. Insurance operations

The following are the details of major related party transactions during the year and the related balances as at the end of the year:

Related party	Nature of transactions	31 December 2022 SR	31 December 2021 SR
Board of Directors and the companies they represent	- Gross Premiums written	6,363,626	6,069,771
	- Claims paid	862,874	1,155,436
Key management staff	- Short term benefits	4,689,380	4,157,580
	- End of service benefits	160,051	172,467
	- Expenses paid by the company on behalf of the company	2,750	91,076
Arabia Insurance Company - Lebanon (shareholder)	- Expenses paid by the company for the Arabia Insurance Company” (shareholder)	495,802	-
	- Expenses paid by Arabia Insurance Company on behalf of the Company	299,670	299,670
Jordan Insurance Company - (shareholder)	- Reinsurance operations, net	-	-

The above transactions with the related parties resulted in the following balances as at 31 December:

	2022 SR	2021 SR
Arabia Insurance Company – Lebanon – Shareholder	-	(198,882)
Jordan Insurance Company – Shareholder	83,346	83,346
Board members and the companies they represent	1,194,014	1,959,091
Reinsurance balance due from Jordan Insurance Company	546,767	546,767

b. Shareholders’ operations

Compensation of the Board of Directors

The compensation of the board of directors during the year were as follows:

	31 December 2022 SR	31 December 2021 SR
Board of directors attendance allowance and expenses	610,500	980,000

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

23. PROVISION FOR END OF SERVICE BENEFITS

The Company has carried out actuarial valuation of its end of service benefits obligation as at 31 December 2022. The following table summarizes the components of the employees' end-of-service benefits recognized in the statement of income, statement of comprehensive income and in the statement of financial position.

<i>The amounts recognized in the statement of financial position</i>	31 December 2022	31 December 2021
	SR	SR
Present value of end of service benefits	11,563,543	10,479,356
	11,563,543	10,479,356
Movement in Present value of end of service benefits	31 December 2022	31 December 2021
	SR	SR
End of service benefits at the beginning of year	10,479,356	10,427,777
Current service cost	1,134,003	1,155,054
Interest cost	329,997	312,980
Re-measurement on end of service benefits	(31,327)	(979,090)
Benefits paid	(348,486)	(437,365)
Present value of end of service benefits at the end of year	11,563,543	10,479,356

End of service benefits expense (recognized in statement of income - insurance operations)

	31 December 2022	31 December 2021
	SR	SR
Current service cost	1,134,003	1,155,054
Interest cost	329,997	312,980
Present value of end of service benefits at the end of year	1,464,000	1,468,034

The valuation of the defined benefit obligation and assumptions

Liability under the scheme is based on various assumptions ("actuarial assumptions") including the estimation of the discount rate, inflation rate, expected rate of salary increase and normal retirement ages. Based on the assumptions, cash outflows are estimated for the Company's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the obligation at the reporting date. Any changes in actuarial assumptions from one period to another may affect the determination of the estimated obligation at the reporting date, which is accounted for as an actuarial gain or loss for the year.

The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at 31 December 2022 are as follows:

<i>Basic actuarial assumptions as at:</i>	31 December 2022	31 December 2021
Discount rate	3.50 %	2.80 %
Rate of salary increase	4.30 %	4.35 %
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

24. CONTINGENCIES AND COMMITMENTS

a) Lawsuits

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. Based on the advice of the legal advisors, the Company believes that the ultimate outcome of such proceedings will not have a material effect on its results or financial position.

b) Contingent Liabilities.

As of December 31, 2022, the Company has given guarantees of SR 2,708,500 million (31 December 2021): SR 2,709,500) relates to service providers. The bank restricted this amount from the Company's current account which is classified as guarantee deposits in prepaid expenses and other assets in the statement of financial position (refer note 12).

25. STATUTORY RESERVE

According to the Articles of Association of the Company and Article 70 (2c) of the Insurance Companies Regulations of the Saudi Central Bank , 20% of the net income for the year is transferred to the statutory reserve. The Company may discontinue such transfer when the reserve reaches 100% of the capital. The statutory reserve is not available for distribution. As a result of the accumulated losses, this transfer has not been made for the year ended 31 December 2022.

26. BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE

Earnings / (losses) per share for the two years ended 31 December 2022 and 2021 were calculated by dividing the net income / (losses) for the year by the average number of ordinary shares authorized and issued during the year amounting to 26.5 million shares.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, term deposits, available for sale investments, held to maturity investments, receivables, creditors and certain other assets and liabilities. The fair values of financial assets and liabilities are not significantly different from their carrying values, except for non-current financial instruments where they are carried at cost.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment results do not include allocation of general and administrative expenses, and other insurance income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, held to maturity investments, premiums and reinsurance balances receivable, due from related parties, prepaid expenses and other assets, due from shareholders' operations, and property and equipment, net to operating segments.

Segment liabilities do not include allocation of accounts payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, due to related parties, employees' end of service benefits and surplus distribution payable to operating segments.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

Following are the operating segments identified for segment reporting purposes;

Medical	Medical corporate and medical individual
Motor	Motor corporate and motor individual
Fire	Fire
Engineering	Construction
Marine	Marine
Others	Aviation, general and accident and protection and saving (group term life)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

29. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2022

Operating segments	<u>In Saudi Riyals</u>						Total
	Insurance Operations						
	Medical	Motor	Fire	Engineering	Marine	Others	
Assets							
Reinsurers' share of unearned premiums	8,889	-	18,382,932	7,646,594	2,968,383	10,544,697	39,551,495
Reinsurers' share of outstanding claims	896,837	12,944,284	703,870,195	3,503,656	1,948,609	21,704,111	744,867,692
Reinsurers' share of claims incurred but not reported	998,663	-	5,710,412	214,189	227,157	473,511	7,623,932
Deferred policy acquisition costs	15,488,258	4,616,279	1,690,460	828,098	429,930	1,002,056	24,055,081
Unallocated assets	-	-	-	-	-	-	492,118,391
	17,392,647	17,560,563	729,653,999	12,192,537	5,574,079	33,724,375	1,308,216,591
Liabilities							
Unearned premiums	238,465,403	57,813,854	19,174,591	9,135,883	3,468,034	11,580,552	339,638,317
Unearned reinsurance commission	-	-	2,945,843	2,521,534	818,272	1,626,455	7,912,104
Outstanding claims	17,605,862	22,558,151	706,007,334	5,327,985	2,509,010	28,387,134	782,395,476
Claims incurred but not reported	33,051,048	25,977,013	6,702,087	547,434	430,507	1,365,639	68,073,728
Premium deficiency reserve	875,383	365,257	179,324	62,318	-	118,640	1,600,922
Unallocated liabilities	-	-	-	-	-	-	108,596,044
	289,997,696	106,714,275	735,009,179	17,595,154	7,225,823	43,078,420	1,308,216,591

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

29. OPERATING SEGMENTS (CONTINUED)

As at 31 December 2021

Operating segments	<u>In Saudi Riyals</u>						Total
	Insurance Operations						
	Medical	Motor	Fire	Engineering	Marine	Others	
Assets							
Reinsurers' share of unearned premiums	14,516,749	-	15,474,054	7,626,142	2,007,520	8,252,799	47,877,264
Reinsurers' share of outstanding claims	3,016,231	13,244,284	36,791,630	3,542,039	3,950,654	10,041,858	70,586,696
Reinsurers' share of claims incurred but not reported	4,388,000	-	3,261,000	354,000	317,000	25,878	8,345,878
Deferred policy acquisition costs	3,926,562	3,549,030	1,468,270	770,808	302,495	1,105,060	11,122,225
Unallocated assets	-	-	-	-	-	-	285,238,986
	25,847,542	16,793,314	56,994,954	12,292,989	6,577,669	19,425,595	423,171,049
Liabilities							
Unearned premiums	75,299,640	55,140,339	16,016,497	9,058,386	2,443,783	10,135,714	168,094,359
Unearned reinsurance commission	-	-	1,249,766	664,231	351,399	1,195,113	3,460,509
Outstanding claims	16,150,146	24,771,107	37,231,863	5,570,550	5,074,600	15,694,197	104,492,463
Claims incurred but not reported	18,119,000	28,352,000	4,371,000	790,000	721,000	617,390	52,970,390
Premium deficiency reserve	-	6,237,000	871,000	504,000	150,000	1,203,000	8,965,000
Unallocated liabilities	-	-	-	-	-	-	85,188,328
	109,568,786	114,500,446	59,740,126	16,587,167	8,740,782	28,845,414	423,171,049

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. OPERATING SEGMENTS (CONTINUED)

for the year ended 31 December 2022	In Saudi Riyals						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Revenue							
Gross premiums written							
- Direct	441,207,919	163,809,504	66,300,489	19,175,241	13,291,648	29,408,424	733,193,225
Less: Reinsurance premiums ceded:							
Foreign	(2,068,118)	-	(55,253,362)	(11,343,598)	(9,352,376)	(26,751,796)	(104,769,250)
Local	-	-	(8,919,340)	(4,591,474)	(2,072,212)	(486,923)	(16,069,949)
Excess of loss premiums	(2,600,000)	(1,305,600)	(562,498)	(1,312,495)	(497,781)	-	(6,278,374)
NET PREMIUMS WRITTEN	436,539,801	162,503,904	1,565,289	1,927,674	1,369,279	2,169,705	606,075,652
Change in unearned premiums, net	(177,673,623)	(2,673,515)	(249,215)	(57,045)	(63,389)	847,060	(179,869,727)
NET PREMIUMS EARNED	258,866,178	159,830,389	1,316,074	1,870,629	1,305,890	3,016,765	426,205,925
Reinsurance commission	-	-	9,038,124	6,088,781	3,130,390	5,144,075	23,401,370
Other Revenues	2,139,662	386,557	-	(64,034)	-	4,718,000	7,180,185
TOTAL REVENUE	261,005,840	160,216,946	10,354,198	7,895,376	4,436,280	12,878,840	456,787,480
Gross claims paid	(170,487,795)	(145,281,972)	(33,558,232)	(2,167,848)	(2,756,090)	(2,035,156)	(356,287,093)
Reinsurers share of claims paid	23,617,764	600,000	32,360,436	1,363,074	1,991,471	1,293,168	61,225,913
Net claims paid	(146,870,031)	(144,681,972)	(1,197,796)	(804,774)	(764,619)	(741,988)	(295,061,180)
Change in outstanding claims, net	(3,575,110)	1,912,956	(1,696,906)	204,182	563,544	(1,030,684)	(3,622,018)
Change in claims incurred but not reported, net	(18,321,386)	2,374,987	118,325	102,755	200,650	(300,616)	(15,825,285)
NET CLAIMS INCURRED	(168,766,527)	(140,394,029)	(2,776,377)	(497,837)	(425)	(2,073,288)	(314,508,483)
Policy acquisition costs	(15,631,766)	(13,538,146)	(5,929,979)	(1,779,764)	(1,436,936)	(3,168,323)	(41,484,914)
Change in premium deficiency reserve	(875,383)	5,871,743	691,676	441,682	150,000	1,084,360	7,364,078
Total underwriting costs and expenses	(185,273,676)	(148,060,432)	(8,014,680)	(1,835,919)	(1,287,361)	(4,157,251)	(348,629,317)
NET UNDERWRITING INCOME	75,732,164	12,156,515	2,339,518	6,059,457	3,148,920	8,721,588	108,158,162
Other operating (expenses) / income							
Provision for doubtful debts	-	-	-	-	-	-	(1,512,099)
General and administrative expenses	-	-	-	-	-	-	(98,808,666)
Commission income	-	-	-	-	-	-	219,657
Dividend	-	-	-	-	-	-	2,498,968
Total other operating income / (expense)	-	-	-	-	-	-	(97,602,140)
NET SURPLUS OF INSURANCE OPERATIONS'	-	-	-	-	-	-	10,556,022

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

29. OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2021	In Saudi Riyals						
Operating segments	Medical	Motor	Fire	Engineering	Marine	Others	Total
Revenue							
Gross premiums written							
- Direct	166,078,757	145,225,688	54,826,256	19,080,210	12,919,546	24,192,146	422,322,603
Less: Reinsurance premiums ceded:							
Foreign	(25,960,268)	-	(37,666,015)	(12,475,216)	(8,324,827)	(19,883,214)	(104,309,540)
Local	-	-	(15,600,118)	(3,337,271)	(2,360,464)	(736,486)	(22,034,339)
Excess of loss premiums	-	(2,251,526)	(610,455)	(1,424,395)	(615,000)	-	(4,901,376)
NET PREMIUMS WRITTEN	140,118,489	142,974,162	949,668	1,843,328	1,619,255	3,572,446	291,077,348
Change in unearned premiums, net	(18,140,919)	(6,786,438)	1,317,577	137,610	321,406	831,484	(22,319,280)
NET PREMIUMS EARNED	121,977,570	136,187,724	2,267,245	1,980,938	1,940,661	4,403,930	268,758,068
Reinsurance commission	-	-	6,749,398	4,794,688	13,110,023	3,164,118	27,818,227
Other revenues	51,000	423,961	46,860	1,052,806	-	2,032,479	3,607,106
TOTAL REVENUE	122,028,570	136,611,685	9,063,503	7,828,432	15,050,684	9,600,527	300,183,401
Gross claims paid	(133,046,527)	(138,094,241)	(1,410,262)	(1,395,527)	(1,423,372)	(2,728,867)	(278,098,796)
Reinsurers share of claims paid	36,265,581	901,590	1,567,329	946,547	861,933	1,711,796	42,254,776
Net claims paid	(96,780,946)	(137,192,651)	157,067	(448,980)	(561,439)	(1,017,071)	(235,844,020)
Change in outstanding claims, net	(1,755,260)	15,960,622	(376,817)	350,345	(315,375)	(859,958)	13,003,557
Change in claims incurred but not reported, net	767,001	6,350,999	(935,000)	138,000	(191,000)	(151,515)	5,978,485
NET CLAIMS INCURRED	(97,769,205)	(114,881,030)	(1,154,750)	39,365	(1,067,814)	(2,028,544)	(216,861,978)
Policy acquisition costs	(6,873,168)	(15,310,874)	(5,474,249)	(1,343,566)	(1,386,122)	(2,453,000)	(32,840,979)
Change in premium deficiency reserve and other reserve	12,304,000	(4,130,000)	(867,000)	(396,000)	(150,000)	(96,000)	6,665,000
Total underwriting costs and expenses	(92,338,373)	(134,321,904)	(7,495,999)	(1,700,201)	(2,603,936)	(4,577,544)	(243,037,957)
NET UNDERWRITING INCOME	29,690,197	2,289,781	1,567,504	6,128,231	12,446,748	5,022,983	57,145,444
Other operating (expenses) / income							
Provision for doubtful debts							9,648,413
General and administrative expenses							(71,833,234)
Commission income							146,434
Dividend							1,164,340
Total other operating income / (expense)							(60,874,047)
NET SURPLUS OF INSURANCE OPERATIONS*							(3,728,603)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. SUPPLEMENTARY INFORMATION

- STATEMENT OF FINANCIAL POSITION

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Assets						
Cash and cash equivalents	34,387,324	44,732,174	79,119,498	26,223,807	59,119,265	85,343,072
Premiums and reinsurers' receivable – net	233,299,452	-	233,299,452	150,976,952	-	150,976,952
Reinsurers' share of unearned premium	39,551,495	-	39,551,495	47,877,264	-	47,877,264
Reinsurers' share of outstanding claims	744,867,692	-	744,867,692	70,586,696	-	70,586,696
Reinsurers' share of claims incurred but not reported	7,623,932	-	7,623,932	8,345,878	-	8,345,878
Deferred policy acquisition cost	24,055,081	-	24,055,081	11,122,225	-	11,122,225
Investments	32,450,625	121,979,099	154,429,724	31,903,125	109,129,293	141,032,418
Amounts due from shareholders' operations	17,484,398	-	17,484,398	23,213,275	-	23,213,275
Due from a related party	83,346	-	83,346	83,346	-	83,346
Prepaid expenses and other assets	27,213,836	3,179,992	30,393,828	21,805,811	2,397,272	24,203,083
Right of use assets	1,296,797	-	1,296,797	3,214,715	-	3,214,715
Term deposits	135,750,000	38,339,075	174,089,075	20,400,000	37,060,919	57,460,919
Property and equipment, net	10,152,613	-	10,152,613	7,417,955	-	7,417,955
Statutory deposit	-	40,000,000	40,000,000	-	40,000,000	40,000,000
Return on statutory deposit	-	5,380,607	5,380,607	-	4,493,686	4,493,686
Total assets	1,308,216,591	253,610,947	1,561,827,538	423,171,049	252,200,435	675,371,484
Liabilities						
Accounts payable	36,378,827	-	36,378,827	17,106,089	-	17,106,089
Accrued expenses and other liabilities	36,946,150	1,337,249	38,283,399	22,758,674	1,201,249	23,959,923
Reinsurance balances payable	20,489,865	-	20,489,865	31,008,133	-	31,008,133
Unearned insurance premiums	339,638,317	-	339,638,317	168,094,359	-	168,094,359
Unearned reinsurance commissions	7,912,104	-	7,912,104	3,460,509	-	3,460,509
Outstanding claims	782,395,476	-	782,395,476	104,492,463	-	104,492,463
Claims incurred but not reported	68,073,728	-	68,073,728	52,970,390	-	52,970,390
			1,600,922			
Premium deficiency reserve and other reserves	1,600,922	-	-	8,965,000	-	8,965,000
Amounts due to insurance operations	-	17,484,398	17,484,398	-	23,213,275	23,213,275
End of service benefits	11,563,543	-	11,563,543	10,479,356	-	10,479,356
Due to related parties	-	-	-	198,882	-	198,882
Zakat and income tax payable	-	7,215,968	7,215,968	-	7,652,889	7,652,889
Lease liability	1,236,027	-	1,236,027	2,742,492	-	2,742,492
Return on statutory deposit	-	5,380,607	5,380,607	-	4,493,686	4,493,686
Total liabilities	1,306,234,959	31,418,222	1,337,653,181	422,276,347	36,561,099	458,837,446
Cumulative surplus						
Accumulated surplus payable	2,494,147	-	2,494,147	1,438,544	-	1,438,544
Actuarial loss on defined benefit plan	(512,515)	-	(512,515)	(543,842)	-	(543,842)
Total liabilities and accrued surplus	1,308,216,591	31,418,222	1,339,634,813	423,171,049	36,561,099	459,732,148
Shareholders' equity						
Equity capital	-	265,000,000	265,000,000	-	265,000,000	265,000,000
Accumulated losses	-	(41,218,767)	(41,218,767)	-	(49,496,359)	(49,496,359)
Investment of available-for-sale revaluation reserve	-	(1,588,508)	(1,588,508)	-	135,695	135,695
Total shareholders' equity	-	222,192,725	222,192,725	-	215,639,336	215,639,336
Total liabilities and shareholders' equity	1,308,216,591	253,610,947	1,561,827,538	423,171,049	252,200,435	675,371,484

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. SUPPLEMENTARY INFORMATION – (CONTINUED)

- STATEMENT OF INCOME

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written	733,193,225	-	733,193,225	422,322,603	-	422,322,603
Reinsurance premiums ceded		-			-	
- Foreign	(104,769,250)	-	(104,769,250)	(104,309,540)	-	(104,309,540)
- Local	(16,069,949)	-	(16,069,949)	(22,034,339)	-	(22,034,339)
Excess of loss expenses	(6,278,374)	-	(6,278,374)	(4,901,376)	-	(4,901,376)
Net premiums written	606,075,652	-	606,075,652	291,077,348	-	291,077,348
Changes in unearned premiums, net	(179,869,727)	-	(179,869,727)	(22,319,280)	-	(22,319,280)
Net premiums earned	426,205,925	-	426,205,925	268,758,068	-	268,758,068
Reinsurance commission earned	23,401,370	-	23,401,370	27,818,227	-	27,818,227
Other revenue	7,180,185	-	7,180,185	3,607,106	-	3,607,106
TOTAL REVENUES	456,787,480	-	456,787,480	300,183,401	-	300,183,401
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(356,287,093)	-	(356,287,093)	(278,098,796)	-	(278,098,796)
Reinsurers' share of claims paid	61,225,913	-	61,225,913	42,254,776	-	42,254,776
Net claims paid	(295,061,180)	-	(295,061,180)	(235,844,020)	-	(235,844,020)
Changes in outstanding claims, net	(19,447,302)	-	(19,447,302)	18,982,042	-	18,982,042
Net claims incurred	(314,508,482)	-	(314,508,482)	(216,861,978)	-	(216,861,978)
Policy acquisition costs	(41,484,914)	-	(41,484,914)	(32,840,979)	-	(32,840,979)
Changes in premium deficiency reserve	7,364,078	-	7,364,078	6,665,000	-	6,665,000
Other underwriting expenses		-		-	-	-
Total underwriting costs and expenses	(348,629,318)	-	(348,629,318)	(243,037,957)	-	(243,037,957)
NET UNDERWRITING INCOME	108,158,162	-	108,158,162	57,145,444	-	57,145,444
OPERATING (EXPENSES) / INCOME						
Reverse / (provision) for doubtful debts	(1,512,099)	-	(1,512,099)	9,648,413	-	9,648,413
General and administrative expenses	(98,808,666)	(1,194,039)	(100,002,705)	(71,833,234)	(1,622,437)	(73,455,671)
		2,059,381	3,636,802			
Commission income	1,577,421			146,434	779,423	925,857
Gain on sale of available for sale investments	-	1,502,439	1,502,439	-	2,675,001	2,675,001
Impairment loss on available for sale investment	-	(1,100,000)	(1,100,000)	-	-	-
Dividend income	1,141,204	2,009,391	3,150,595	1,164,340	2,427,090	3,591,430
Total other operating (expenses) / income	(97,602,140)	3,277,172	(94,324,968)	(60,874,047)	4,259,077	(56,614,970)
Total surplus / (deficit) for the year	10,556,022	3,277,172	13,833,194	(3,728,603)	4,259,077	530,474
Income / (Loss) for the year attributed to the shareholders	(9,500,420)	9,500,420	-	3,728,603	(3,728,603)	-
Net income / (loss) for the year	1,055,602	12,777,592	13,833,194	-	530,474	530,474
Zakat and income tax	-	(4,500,000)	(4,500,000)	-	(6,047,859)	(6,047,859)
Net income / (loss) after zakat and income tax	1,055,602	8,277,592	9,333,194	-	(5,517,385)	(5,517,385)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. SUPPLEMENTARY INFORMATION – (CONTINUED)

- STATEMENT OF COMPREHENSIVE INCOME

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) / income for the year	1,055,602	8,277,592	9,333,194	-	(5,517,385)	(5,517,385)
Other comprehensive income:						
<i>Items that cannot be reclassified subsequently to the statement of income:</i>						
- Actuarial gain / (loss) for defined benefit plans	31,327	-	31,327	979,090	-	979,090
<i>Items that can be reclassified subsequently to the statement of income:</i>						
Available-for-sale investments:	-	-	-			
- Net change in fair value	-	(1,724,203)	(1,724,203)	-	(609,572)	(609,572)
Total comprehensive income for the year	1,086,929	6,553,389	7,640,318	979,090	(6,126,957)	(5,147,867)

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. SUPPLEMENTARY INFORMATION – (CONTINUED)

- STATEMENT OF CASH FLOWS

	In Saudi Riyals					
	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit / (loss) for the year	1,055,602	8,277,592	9,333,194	-	(5,517,385)	(5,517,385)
<i>Adjustments for non-cash items:</i>						
Depreciation of property equipment	3,003,896	-	3,003,896	2,619,193	-	2,619,193
Gain from sale property and equipment	-	-	-	-	-	-
Depreciation of right of use assets	1,917,918	-	1,917,918	2,157,237	-	2,157,237
Finance charges	74,936	-	74,936	158,230	-	158,230
Provision of allowance for doubtful debts	1,512,099	-	1,512,099	(9,648,413)	-	(9,648,413)
Gains / losses on sold of available for sale investments	-	(1,502,439)	(1,502,439)	-	(2,675,001)	(2,675,001)
Impairment loss on available for sale investment	-	-	-	-	-	-
Provision for end-of-service indemnities	1,464,000	-	1,464,000	1,468,034	-	1,468,034
Zakat and income tax accrued	-	4,500,000	4,500,000	-	6,047,859	6,047,859
	9,028,451	11,275,153	20,303,604	(3,245,719)	(2,144,527)	(5,390,246)
Changes in operating assets and liabilities:						
Premiums and reinsurance receivables	(83,834,598)	-	(83,834,598)	(214,802)	-	(214,802)
Reinsurers share of unearned premiums	8,325,769	-	8,325,769	(4,972,535)	-	(4,972,535)
Reinsurers share of outstanding claims	(674,280,996)	-	(674,280,996)	(36,608,850)	-	(36,608,850)
Reinsurers' share of claims incurred but not reported	721,946	-	721,946	1,032,847	-	1,032,847
Deferred policy acquisition costs	(12,932,856)	-	(12,932,856)	(104,463)	-	(104,463)
Amount due from a related party	-	-	-	9,652	-	9,652
Prepaid expenses and other assets	(7,623,559)	(782,721)	(8,406,280)	(4,215,106)	(1,674,466)	(5,889,572)
Accounts payable	19,272,738	-	19,272,738	(6,577,716)	-	(6,577,716)
Accounts payable, accruals and other liabilities	16,403,012	136,000	16,539,012	(3,795,988)	(454,625)	(4,250,613)
Reinsurer's balances payable	(10,518,268)	-	(10,518,268)	1,583,674	-	1,583,674
Unearned insurance premiums	171,543,958	-	171,543,958	27,291,815	-	27,291,815
Uninsured reinsurance commissions	4,451,595	-	4,451,595	182,732	-	182,732
	677,903,013	-	677,903,013	23,605,294	-	23,605,294
Outstanding claims	-	-	-	-	-	-
Claims incurred but not reported	15,103,338	-	15,103,338	(7,011,333)	-	(7,011,333)
Premium deficiency reserve and other reserves	(7,364,078)	-	(7,364,078)	(6,665,000)	-	(6,665,000)
Accrued surplus distributions	-	-	-	(814,361)	-	(814,361)
Amounts due to related parties	(198,882)	-	(198,882)	198,882	-	198,882
Net cash from / (used in) operating activities	126,000,583	10,628,432	136,629,015	(20,320,977)	(4,273,618)	(24,594,595)
Zakat and income tax paid	-	(4,936,921)	(4,936,921)	-	(4,676,950)	(4,676,950)
End of service indemnities paid	(348,486)	-	(348,486)	(437,365)	-	(437,365)
Net cash (used in) / from operating activities	125,652,097	5,691,511	131,343,608	(20,758,342)	(8,950,568)	(29,708,910)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions / (disposals) in investments	(547,500)	(13,071,569)	(13,619,069)	750,000	(35,563,477)	(34,813,477)
Additions / (disposals) in term deposits	(115,350,000)	(1,278,156)	(116,628,156)	-	6,353,290	6,303,290
Proceeds from the sale property and equipment	(5,738,555)	-	(5,738,555)	(3,438,422)	-	(3,438,422)
Net cash from / (used in) investing activities	(121,636,055)	(14,349,725)	(135,985,780)	(2,738,421)	(29,210,188)	(31,948,609)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from / to shareholders'	5,728,877	(5,728,877)	-	18,696,365	(18,696,365)	-
Right of use assets paid	(1,581,402)	-	(1,581,402)	(2,326,864)	-	(2,326,864)
Net cash (used in) / from financing activities	4,147,476	(5,728,877)	(1,581,402)	16,369,501	(18,696,365)	(2,326,864)
Net change in cash and cash equivalents	8,163,518	(14,387,092)	(6,223,574)	(7,127,261)	(56,857,121)	(63,984,382)
Cash and cash equivalents at the beginning of the year	26,223,807	59,119,265	85,343,072	33,351,069	115,976,385	149,327,454
Cash and cash equivalents at the end of the year	34,387,325	44,732,173	79,119,498	26,223,808	59,119,264	85,343,072
NON-CASH INFORMATION						
Changes in fair value of available for sale investments	-	(1,724,202)	(1,724,202)	-	(609,572)	(609,572)
Actuarial gain / (loss) for defined benefit plans	31,327	-	31,327	-	979,090	979,090

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, fund price risk, market price risk and capital management risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor, and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are set out below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only grants comprehensive policies for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 2,000,000.

Medical insurance

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company, the company has reinsurance coverage to limit losses related to any individual claim at the level of the insured member in the insurance policy up to SR 100,000.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT – (CONTINUED)

b) Sensitivities analysis

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio, with all other assumptions held constant, showing the impact on net liabilities and net income as follows:

31 December 2022	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	%10 +	4,262,059	(4,262,059)
	%10 -	(4,262,059)	4,262,059

31 December 2021	Changes in assumptions	Effect on net liabilities	Effect on net Income
		SR	SR
Ultimate loss ratio	%10 +	2,687,580	(2,687,580)
	%10 -	(2,687,580)	2,687,580

c) Reinsurance risk

In line with other insurance companies, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes in order to minimize financial exposure arising from large claims. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurance companies' insolvencies, the Company evaluates the financial condition of reinsurance companies and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurance companies.

Reinsurance contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is:

	2022	2021
	SR	SR
Middle East	163,666,928	13,216,471
Europe	588,824,696	65,716,103
	752,491,624	78,932,574

d) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT – (CONTINUED)

e) Credit risk (continued)

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Cash and cash equivalents, time deposits and the statutory deposit are maintained with local banks approved by the management. Accordingly, and as prerequisite, the bank with which cash and cash equivalents, time affirming to the financial position strength.
- The Company's investment in funds and portfolios are managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, deals only with commercial banks having strong financial positions and good credit ratings.
- There are no significant concentrations of credit risk within the Company.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2022		2021	
	<i>Insurance operations</i>	<i>Shareholders' Operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	SR	SR	SR	SR
Cash and cash equivalents	34,387,324	44,732,174	26,223,807	59,119,265
Time deposits	135,750,000	38,339,075	20,400,000	37,060,919
Reinsurance premiums and balances, net	233,299,452	-	150,976,952	-
Investments available for sale	-	74,382,561	-	62,292,662
Prepaid expenses and other assets	29,429,370	3,179,992	21,805,811	2,397,272
Held to maturity investments	32,450,625	47,596,538	31,903,125	46,836,631
Reinsurers share of claims under settlement	744,867,692	-	70,586,696	-
Reinsurers' share of claims incurred but not reported	7,623,932	-	8,345,878	-
	<u>1,217,808,395</u>	<u>208,230,340</u>	<u>330,242,269</u>	<u>207,706,749</u>

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All the Company's liabilities as disclosed in the statement of financial position, except for employees' end of service benefits, are payable on demand.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT – (CONTINUED)

f) Liquidity risk (continued)

Maturity Date

The table below summarizes the maturity date of the financial liabilities of the Company based on the remaining expected undiscounted contractual obligations except for employees' end of service benefits: Maturity dates are determined based on the estimated timing of net reinsurance commission have been excluded from the analysis as they are not contractual obligation. There is no fixed maturity date for the end of service benefit.

	2022			2021		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES						
Accounts payable	36,378,827	-	36,378,827	17,106,089	-	17,106,089
Reinsurance balances payable	20,489,865	-	20,489,865	31,008,133	-	31,008,133
Due to related parties		-		198,882	-	198,882
Accrued expenses and other liabilities	39,161,684	-	39,161,684	22,758,674	-	22,758,674
Outstanding claims	782,395,476	-	782,395,476	104,492,463	-	104,492,463
IBNR	68,073,728	-	68,073,728	52,970,390	-	52,970,390
Employees' end of service benefits	-	11,563,543	11,563,543	-	10,479,356	10,479,356
	946,499,580	11,563,543	958,063,123	228,534,631	10,479,356	239,013,987
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	1,337,249	-	1,337,249	1,201,249	-	1,201,249
Zakat and income tax payable	7,215,968	-	7,215,968	7,652,889	-	7,652,889
	8,553,217	-	8,553,217	8,854,138	-	8,854,138
TOTAL FINANCIAL LIABILITIES	955,052,797	11,563,543	966,616,340	237,388,769	10,479,356	247,868,125

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT – (CONTINUED)

f) Liquidity risk (continued)

No liabilities at the balance sheet date are based on discounted cash flows and are all repayable on the above basis. Analysis of due date based on expected maturity dates.

	2022					
	Insurance operations			Shareholders' operations		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	34,387,324	-	34,387,324	44,732,174	-	44,732,174
Time deposits	135,750,000	-	135,750,000	38,339,075	-	38,339,075
Premiums and reinsurance balances receivable, net	233,299,452	-	233,299,452	-	-	-
Investments	-	32,450,625	32,450,625	74,382,561	47,596,538	121,979,099
Due from related parties	83,346	-	83,346	-	-	-
Due from shareholders' operations	17,484,398	-	17,484,398	-	-	-
Prepaid expenses and other assets	27,213,836	-	27,213,836	3,179,992	-	3,179,992
Reinsurers' share of unearned premiums	31,167,385	8,384,110	39,551,495	-	-	-
Reinsurers' share of outstanding claims	744,867,692	-	744,867,692	-	-	-
Reinsurers' share of claims incurred but not reported	7,623,932	-	7,623,932	-	-	-
Deferred policy acquisition costs	23,494,933	560,148	24,055,081	-	-	-
Statutory deposit	-	-	-	40,000,000	-	40,000,000
Right of use assets	1,296,797	-	1,296,797	-	-	-
Return on investment of statutory deposit	-	-	-	5,380,607	-	5,380,607
Property and equipment, net	-	10,152,613	10,152,613	-	-	-
Total assets	1,256,669,095	51,547,496	1,308,216,591	206,014,409	47,596,538	253,610,947
LIABILITIES						
Accounts payable	36,378,827	-	36,378,827	-	-	-
Reinsurance balances payable	20,489,865	-	20,489,865	-	-	-
Accrued expenses, and other liabilities	36,946,150	-	36,946,150	1,337,249	-	1,337,249
Gross outstanding claims	782,395,476	-	782,395,476	-	-	-
Claims incurred but not reported	68,073,728	-	68,073,728	-	-	-
Gross unearned premiums	330,815,102	8,823,215	339,638,317	-	-	-
Unearned reinsurance commission	6,675,919	1,236,185	7,912,104	-	-	-
Premium deficiency reserve and other reserves	1,600,922	-	1,600,922	-	-	-
Employees' end of service benefits	-	11,563,543	11,563,543	-	-	-
Due to insurance operations	-	-	-	17,484,398	-	17,484,398
Lease liability	35,276	1,200,751	1,236,027	-	-	-
Return on investment of statutory deposits	-	-	-	-	5,380,607	5,380,607
Zakat and income tax payable	-	-	-	7,215,968	-	7,215,968
Total liabilities	1,283,411,265	22,823,694	1,306,234,959	26,037,615	5,380,607	31,418,222

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT – (CONTINUED)

f) Liquidity risk (continued)

No liabilities at the balance sheet date are based on discounted cash flows and are all repayable on the above basis. Analysis of due date based on expected maturity dates.

	2021					
	Insurance operations			Shareholders' operations		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	26,223,807	-	26,223,807	59,119,265	-	59,119,265
Time deposits	20,400,000	-	20,400,000	37,060,919	-	37,060,919
Premiums and reinsurance balances receivable, net	150,976,952	-	150,976,952	-	-	-
Investments	-	31,903,125	31,903,125	62,292,662	46,836,631	109,129,293
Due from related parties	83,346	-	83,346	-	-	-
Due from shareholders' operations	23,213,275	-	23,213,275	-	-	-
Prepaid expenses and other assets	21,805,811	-	21,805,811	2,397,272	-	2,397,272
Reinsurers' share of unearned premiums	43,458,831	4,418,433	47,877,264	-	-	-
Reinsurers' share of outstanding claims	70,586,696	-	70,586,696	-	-	-
Reinsurers' share of claims incurred but not reported	8,345,878	-	8,345,878	-	-	-
Deferred policy acquisition costs	10,737,775	384,450	11,122,225	-	-	-
Statutory deposit	-	-	-	40,000,000	-	40,000,000
Right of use assets	3,214,715	-	3,214,715	-	-	-
Return on investment of statutory deposit	-	-	-	4,493,686	-	4,493,686
Property and equipment, net	-	7,417,955	7,417,955	-	-	-
Total assets	379,047,086	44,123,963	423,171,049	205,363,804	46,836,631	252,200,435
LIABILITIES						
Accounts payable	17,106,089	-	17,106,089	-	-	-
Reinsurance balances payable	31,008,133	-	31,008,133	-	-	-
Accrued expenses, and other liabilities	22,758,674	-	22,758,674	1,201,249	-	1,201,249
Gross outstanding claims	104,492,463	-	104,492,463	-	-	-
Claims incurred but not reported	52,970,390	-	52,970,390	-	-	-
Gross unearned premiums	162,605,673	5,488,686	168,094,359	-	-	-
Unearned reinsurance commission	3,062,589	397,920	3,460,509	-	-	-
Premium deficiency reserve	8,965,000	-	8,965,000	-	-	-
Employees' end of service benefits	-	10,479,356	10,479,356	-	-	-
Due to insurance operations	-	-	-	23,213,275	-	23,213,275
Lease liability	74,936	2,667,556	2,742,492	-	-	-
Return on investment of statutory deposits	-	-	-	-	4,493,686	4,493,686
Due to related parties	198,882	-	198,882	-	-	-
Zakat and income tax payable	-	-	-	7,652,889	-	7,652,889
Total liabilities	403,242,829	19,033,518	422,276,347	32,067,413	4,493,686	36,561,099

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. RISK MANAGEMENT – (CONTINUED)

g) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's principal transactions are denominated in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

h) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate financial instruments expose the Company to cash flows special commission risk, whereas fixed commission rate financial instruments expose the Company to fair value interest risk.

The Company is exposed to special commission rate risk on some of its investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2022.

i) Market price risk

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

The Company has investments in sukuk, bonds, local equities and investment funds (see Note 17) which are classified as "available for sale investments." The Company limits market price risk by closely monitoring market price developments for these investments. The change of 5% in the market price of these investments, with all other variables held constant, may change the "other comprehensive income" and hence the "shareholders' equity" (for shareholders' equity investments) by 3,719,128 million SAR (2021 by 3,114,633 million).

j) Capital management

Capital requirements are set and regulated by the Saudi Central Bank (SAMA) in order to ensure sufficient solvency margins in case of bankruptcy. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SR 100 million
Premium Solvency Margin
Claims Solvency Margin

The Company has fully complied with the externally imposed capital requirements during the reported financial year.

ARABIA INSURANCE COOPERATIVE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

31. RISK MANAGEMENT – (CONTINUED)

k) Operational risk

Operational risk is the risk of direct or indirect loss resulting from a wide range of reasons related to operations, technology and infrastructure that support the Company's internal and external operations with the Company's service providers and from external factors other than credit, market risk and liquidity such as those arising from legal requirements Regulatory and generally accepted standards for the conduct of investment management. Operational risk arises from all of the Company's activities.

The objective of the company is to manage operational risk in order to balance the reduction of financial losses and damage to its reputation in achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of operational risk controls rests with the Board of Directors. This responsibility includes controls and control in the following areas:

- Requirements for the appropriate separation of duties between different functions, roles and responsibilities;
- Settlement and monitoring requirements; - Compliance with regulatory requirements and other legal requirements;
- Documentation of controls and procedures; - Requirements for periodic assessment of operational risks facing, and adequacy of controls and procedures to address identified risks; Ethical standards and business standards; and risk mitigation policies and procedures.

32. PREMIUMS WRITTEN BY TYPE OF CUSTOMERS

Gross written premiums	For the year ended 31 December 2022				
	Medical	Motors	Property and accidents	Protection and Savings	Total
Individuals	43,371,728	57,505,078	1,275,066	-	102,151,872
Very small size entities	284,950,047	559,041	650,113	-	286,159,201
Small size Entities	65,470,654	7,116,458	12,291,872	8,884	84,887,868
Medium size entities	32,960,885	39,032,728	24,387,927	552,204	96,933,744
Large size entities	14,454,605	59,596,199	88,817,113	192,623	163,060,540
Total	441,207,919	163,809,504	127,422,091	753,711	733,193,225

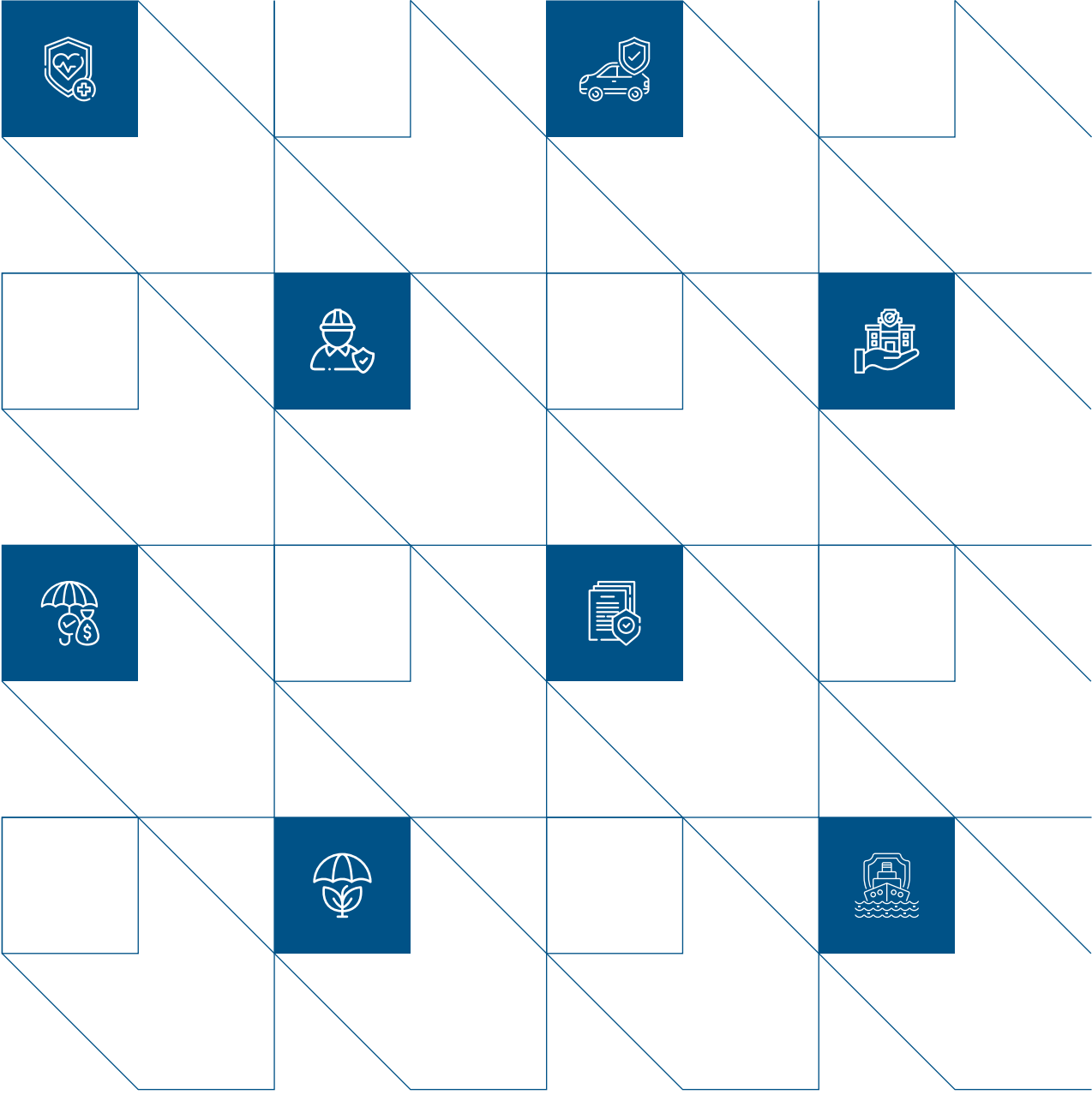
33. COMPARATIVE FIGURES

Certain items of prior year amount have been reclassified to conform to the presentation in the current year. However, there has been no impact of reclassification on the overall presentation of the financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

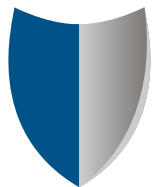
The financial statements have been approved by the Board of Directors on 26 February 2023 corresponding to (6 Sha'ban 1444 H)

BOD ANNUAL REPORT — 2022



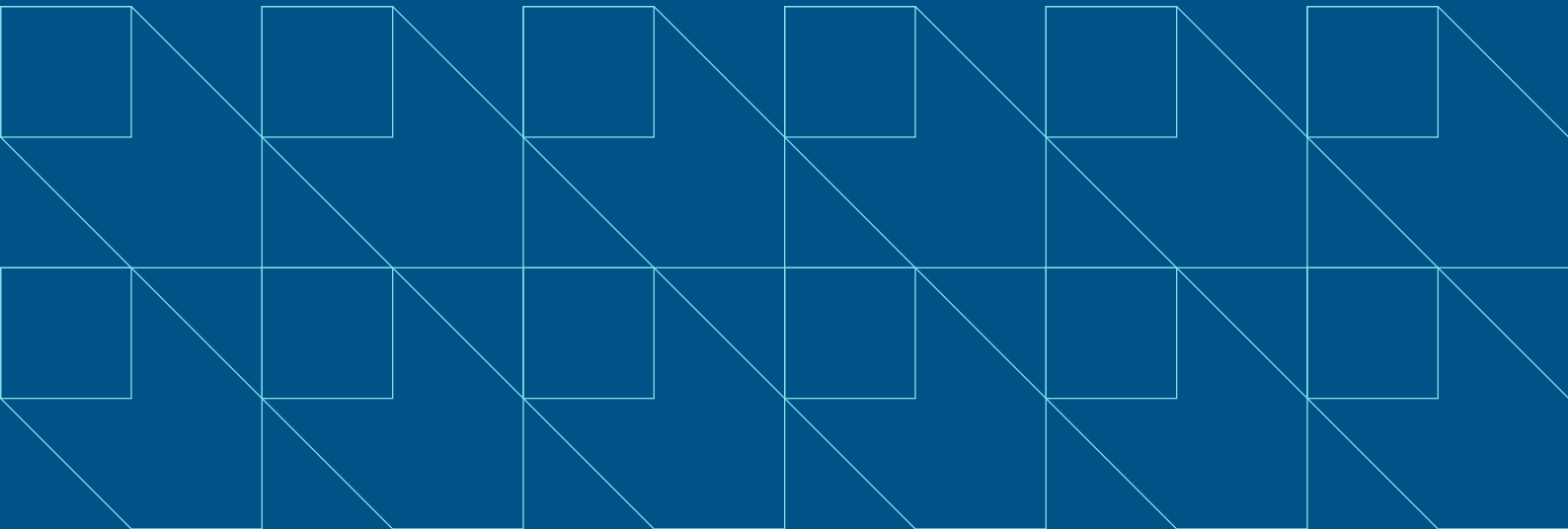
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شركة التأمين العربية التعاونية



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Dear AICC Shareholders,

Greetings,

The Board of Directors of AICC (the “Company”) is pleased to present to you the following report on The Company’s business results, achievements, plans, important decisions, and disclosures in accordance with the rules of registration and listing, the Corporate Governance Regulations and the Insurance Companies Governance Regulations, wherewith attached the report of the external auditors and the audited financial statements for the financial year ending on 31/12/2022.

Table of Contents

1. Company's Business	6
2. Significant Developments and Decisions in 2022	8
3. Future plans and expectations	10
4. Risks that The Company may face and its assessment and addressing methods	11
5. Evaluation of Company Strategy and its Financial Position	14
6. Table indicating Company's assets and liabilities, and its business results for last five years 2018-2022	15
7. Subsidiaries	21
8. Investments or reserves established for the benefit of the Company's employees	22
9. Contracts and transactions with related parties in 2022	22
10. Existence of businesses or contracts in which The Company is a party and in which the CEO or the CFO or any person related to any thereof has an interest	22
11. The Board of Directors and its Committees	23
12. Names of the executive management members, their current and previous positions, qualifications and experience	34
13. A description of any interest, contractual securities and subscription rights belonging to members of the Board of Directors, senior executives and their relatives in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the Financial year 2022:	35

14. Remuneration of Board members and Executives	36
15. The means adopted by the Board of Directors in evaluating its performance and the performance of its committees and members:	40
16. Statutory payments for 2022:	40
17. Financial fines imposed on The Company during 2022	41
18. External Auditors	41
19. Risk Management	41
20. Internal Audit Department and the Statutory Compliance Department	42
21. Results of annual review for Internal Control procedures' effectiveness	42
22. Capital, Shares, Debt Instruments and Shareholders' Equity	43
23. Actions taken by the Board of Directors to inform its members, especially non-executives, of the shareholders' proposals and comments regarding the company and its performance	44
24. A statement of the dates of the general assemblies of shareholders held during the year 2022 and the names of the Board members attending these assemblies	44
25. The number of the Company's requests for shareholders' records during 2022, the dates of those requests and their reasons	45
26. Corporate Governance Regulations	46
27. Acknowledgments:	47

1. Company's Business

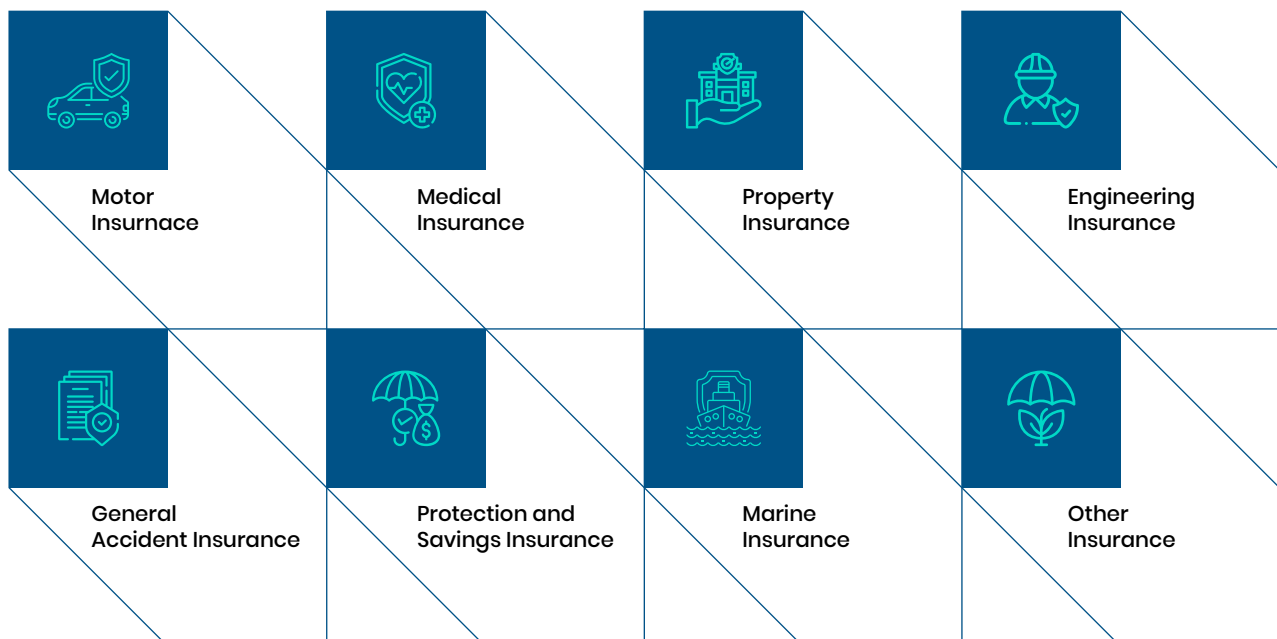
AICC is a Saudi public joint stock company established as per Royal Decree No. (M/23) dated 15/03/1428H (corresponding to 03/04/2007) and Cabinet Resolution No. (93) dated 14/03/1428 AH (corresponding to 02/04/2007). It operates under Commercial Registration No. 1010243302 issued in Riyadh on 18/01/1429 AH (corresponding to 27/01/2008). The Company's capital is two hundred and sixty-five million Saudi riyals (SAR 265,000,000), divided into twenty-six million five hundred thousand (26,500,000) ordinary shares with a nominal value of ten Saudi riyals (SAR 10/-) per share, which is totally paid. The shares have been listed on the Saudi Stock Exchange (Tadawul) on 26/01/1429H (corresponding to 04/02/2008).

The Company obtained the Saudi Central Bank's permit No. TMN/15/20086, dated 14/06/1429 AH (corresponding to 18/06/2008) to engage in insurance and reinsurance business in accordance with the provisions of the Cooperative Insurance Companies Control Law and its executive regulations. The license to practice the business was renewed for a period of three years starting on 11/06/1444H and ending on

10/06/1447H. the Saudi Central Bank's approval was obtained to amend the business at The Company's request so that it is limited to the practice of insurance business, according to letter No. 351000076885 dated 14/06/1435H corresponding to 14/04/2014. The Company's objectives are to engage in cooperative insurance and related activities in Saudi Arabia. Its main business includes all categories of general insurance, medical insurance, protection, and savings.

In accordance with Article 3 of the Company's articles of association, which states that The Company's purpose is: "To practice cooperative insurance business in the class of general insurance, health insurance and protection & savings insurance. The Company may carry out all business activities necessary to realize its objectives and shall transact such activities in conformity with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations and the laws and regulations in force in the Kingdom of Saudi Arabia, subject to obtaining necessary licenses from the competent authorities, if any."

Summary of insurance products:



Company Branches:

The Company operates through the head office and its licensed branches, which are spread in different regions of Saudi Arabia and are as follows:

Head Office: Riyadh - Al Wurud District - King Abdulaziz Road, Bin Tami Center.

Tel: 011-2153360

Fax: 011-2153197

PO Box 286555 Riyadh 11323

Website: www.aicc.com.sa



a) Central Region:

Riyadh City Branch - King Abdulaziz Road, Bin Tami Center.

b) Western Region:

1) Jeddah: Tahlia Street, Al Salam Building.

2) Makkah Al-Mukarramah: Al-Rusaifa, Ring Road III, Al Salwa Tower, next to Civil Defense.

c) Southern Region:

Khamis Mushait - King Fahd Road, Al Tasheel Building

d) Eastern Region:

Khobar: - Custodian of the Two Holy Mosques Road - Prince Hammoud Street - Diwan Al-Jazirah Building

The Company also has several points of sale (POSS) spread throughout Saudi Arabia

2. Significant Developments and Decisions in 2022

The financial year 2022 was the 13th anniversary of the Company's operations. Below you will find the most significant decisions, major developments and actions taken during the financial year 2022:

Increasing the Company's capital from SAR 265M to SAR 530M through a rights issue:

- On 16/04/1440H (24/04/2019), the Company announced that it had received SAMA's Letter No. 89/30238 dated 18/08/1440H (23/04/2019) which included a no-objection to increasing the Company's capital by SAR 265M through a rights issue so that its capital would, after the increase, be SAR 530M, provided that the Company fulfill all the requirements of other official authorities.
- On 11/03/1442H (28/10/2020), Alinma Investment was appointed as a financial advisor to manage the subscription to the rights issue.
- On 13/09/1442H (25/04/2021), a capital increase approval application file was submitted to CMA. After CMA's approval had been obtained, an Extraordinary General Meeting ("EGM") was held on 04/04/1443H (09/11/2021) which disapproved the Board of Directors' recommendation to increase the capital.
- A request was submitted to SAMA to extend the approval previously given to the Company to effect a capital increase. The Company obtained SAMA's consent to a six-month extension ending on 09/07/2022 of the previously given approval. On 04/07/1443H (06/02/2022), the Company submitted a capital increase approval application file to CMA.
- After CMA's approval had been obtained, an EGM was called. However, before it was convened, the previously appointed Underwriter (Alinma Investment) withdrew without any legal justification. As a result, the EGM which was scheduled for 02/08/2022 was postponed.
- On 13/03/1444H (09/10/2022), the Company announced that an agreement dated 06 Oct 2022 was signed with Al Rajhi Capital to manage the subscription and underwrite the offering for the Company's SAR 265M rights issue capital increase.
- Due to the Company's unwillingness to renew the financial advisory agreement with Alinma Investment, the Company announced on 22/03/1444H (18/10/2022) the appointment of Al Rajhi Capital as a financial advisor to manage the subscription to the rights issue instead of Alinma Investment.
- After all the required legal approvals had been secured, on 02/04/1444H (27/10/2022), the Company's shareholders were invited to an EGM scheduled for 20/11/2022 to increase the capital.
- The Company obtained the approval of the Company's shareholders regarding the agenda item for the capital increase, as well as the items related to amending the Company Bylaws, at the EGM of 26/04/1444H (20/11/2022).
- On 14/05/1444H (08/12/2022), the results of the rights trading, subscription to the new shares and details of the sale of unsubscribed shares were announced. They were as follows:
 - 17,132,251 out of the new 26,500,000 shares offered were subscribed, that is, a 64.65% coverage percentage.
 - On 24/05/1444H (18/12/2022), the Company announced the results of the rump offering and allocation of rights shares. The summary of that announcement was as follows:
 - The coverage at the end of the rump offering period amounted to 100% and it was as follows:
 - The number of shares subscribed to by institutional investors during the rump offering period was 8,650,000 shares (92.33%).
 - The number of rights shares underwritten by the Underwriter (Al Rajhi Capital) was 717,749 shares (7.67%).
 - Average selling price of the shares sold: SAR 10.
 - Net compensation amount for rights holders and fractional shares: SAR 0.

Renewal of the insurance license:

On 06/05/1444H (30/11/2022), the Company got SAMA's approval to renew its license to carry on insurance business in Saudi Arabia for three (3) years from 11/06/1444H to 10/06/1447H in the following areas: general insurance (GI), health insurance (HI), protection & savings (P&S).

Approval of the Company to provide GI services by Al Hokair Group of Companies:

On 09/02/2022, the Company was engaged by Al Hokair Group to provide GI services for one (1) calendar year, effective from 15/02/2022, for an estimated value of SAR 25M.

Approval of the Company to provide comprehensive motor and GI insurance services by Aljomaih Group of Companies:

On 28/02/2022, the Company was engaged by Aljomaih Group to provide comprehensive auto and GI services for one (1) calendar year, effective from 01/03/2022, for an estimated value of SAR 45M.

Obtaining a no-objection from SAMA for a number of products offered for groups:

In 2022, the Company obtained a no-objection from SAMA for a number of products, namely:

- Professional liability insurance (accountants & auditors).
- Motor trade insurance product for vehicle maintenance workshop owners (internal & external risk).

Renewal of the Company's annual qualification with the Council of Health Insurance (CHI):

On 16/09/1443H (17/04/2022), the Company received a notice of one-year CHI qualification renewal from 09 May 2022 to 08 May 2023.

The Company received a report of a fire at the Arabian Centres Company's Mall of Dhahran:

On 14/10/1443H (15/05/2022), the Company announced that on 13/05/2022 it had received a report of a fire incident at the Arabian Centres Company's Mall of Dhahran, Dhahran. Immediately after receiving the report, the Company appointed a SAMA-licensed loss adjuster to assess the damage resulting from the fire. It is to be noted that the losses resulting from that fire are more than 99.5% reinsured by reinsurers as duly required, and therefore there will be no material financial impact on the Company's financial results.

Staff development and training:

In 2022, the Company's management provided training courses and qualified its Saudi personnel to ensure that they would perfectly carry out their functions and serve the Company's customers.

Reinsurance agreements:

In 2022, the Company renewed and signed reinsurance agreements with leading local and global reinsurers with international ratings ranging between A and A+.

Insurance brokerage agreements:

Willing to reach the largest base of customers of all kinds, in 2022, the Company renewed and signed agreements with insurance brokers approved by SAMA, as well as an insurance agent to exclusively market and sell the Company's insurance products.

Approval of the Company's strategy:

In 2022, the Board reviewed and updated the Company's business plan and strategy in line with economic and regulatory developments.

Ordinary General Meeting (OGM):

The first OGM was held on 28/11/1443H (27/06/2022) via modern means of communication. Its results were as follows:

1. Approval of the Company auditors' report for the fiscal year ended 31/12/2021.
2. Approval of the financial statements for fiscal year ended 31/12/2021.
3. Approval of the Board of Directors' report for the fiscal year ended 31/12/2021.
4. Approval of a release of the members of the Board from liability for their performance during the fiscal year ended 31/12/2021.
5. Approval of the appointment and determination of the remuneration of Company auditors from among candidates upon the recommendation of the Audit Committee in order to examine, review and audit the Q2, Q3 and annual financial statements for the fiscal year 2022 and Q1 financial statements for the fiscal year 2023, namely: Al Azem, Al Sudairy, Al Shaikh & Partners - Certified Accountants and Auditors, and Al Kharashi & Co. - Certified Accountants and Auditors.

6. Approval of the business and contracts between the Company and Abdel Hadi Abdullah Al-Qahtani Co., in which Board member Mr. Abdulaziz bin Abdel Hadi Al-Qahtani has an indirect interest; these are multiple insurance policies conforming to the Company's approved policies without any preferential advantages; it is to be noted that the value of transactions in 2021 was SAR 5,179,901.
7. Approval of an amendment to the Company's Corporate Governance Regulations.
8. Approval of the delegation to the Board of Directors of the authorization power of the Ordinary General Assembly (OGA) referred to in paragraph (1) of Article (71) of the Companies Law for one (1) year from the date of the

OGA's approval or until the end of the current term of the Board of Directors, whichever is earlier, as stipulated in the conditions set out in CMA's Regulatory Rules and Procedures Issued pursuant to the Companies Law for Listed Joint Stock Companies.

Opening of nominations for membership of the Board of Directors:

On 20/04/1444H (14/11/2022), the Company opened nominations for membership of the Board of Directors for the next three (3) calendar years' term starting on 27/02/2022.

3. Future plans and expectations

The Company believes that the insurance industry in Saudi Arabia will witness further growth in line with the development of the Saudi economy under the kingdom vision of 2030. In order to overcome such challenges foreseen in the short and medium term as intense competition, high operating costs and the scarcity of technical personnel, the Company will continue to implement its plans to increase competitiveness and market share by focusing on the following:

- Introducing insurance products that keep up with customer needs, especially SMEs.
- Focusing on improving customer service to increase retention and attract new customers.
- Continue to develop information systems for sales, electronic services and statistical reports.

- Making the necessary amendments to reinsurance agreements and strengthening relations with reinsurers.
- Promoting a culture of governance and compliance and staffing the concerned departments with the necessary personnel.
- Attracting and training qualified national personnel to ensure the success and growth of the Company.

It is worth noting that the Company's Board of Directors is fully aware of the opportunities and challenges, and accordingly effects or causes to be effected such adjustments as may be necessary to keep pace with new developments in order to ensure that the Company will continue in the fashion prescribed by the Board-approved strategy.

4. Risks that The Company may face and its assessment and addressing methods

The Company adopts policies for managing, measuring and controlling risks that are subject to the implementing regulations of the Cooperative Insurance Companies Control Law and the Risk Management Regulation so that these policies are evaluated and updated periodically. Given the nature of the Company activity, it is exposed to regular risks. Internal Audit and Risk Management Departments review and evaluates all risks that arise from The Company's activities and business, examine the results of all evaluation processes with senior management, the audit committee, and the risk committee, and submit a report of the results in accordance with the regulatory standards and requirements in addition to the methods of addressing and recommending them to the Board of Directors. A summary of the risks to which The Company is exposed, include without limitation the following:

a. Insurance risk

It represents the risks related to the excess of the actual claims payable to the contracting parties in respect of the insured events over the book value of the insurance liabilities. This could take place because of recurring claims, or if the claims amounts and actual benefits paid, or subsequent developments in long-term claims differ from expectations. The Company's objectives are to ensure that sufficient resources are available to cover these liabilities. The risks arising from insurance contracts are mainly concentrated in Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims may be affected by many factors. The Company mainly covers underwriting Motor and medical insurance contracts. These operations are considered short-term insurance contracts because, in general, claims are reported and paid within one year of the occurrence of the insured accident. In turn, this would reduce insurance risk.

Motor Insurance

For Motor insurance, the main risks are the claims for death and body injury and the replacement or repair of motors. The Company issues comprehensive insurance policies only to the owner/ driver who is over 18 years old. Mainly, most motor contracts relate to individuals. The Company also adopts risk management procedures for monitoring the cost of

claims. The Company has reinsurance coverage to limit losses related to any individual claim, exceeds SAR 2,000,000.

Medical Insurance

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company, the company has reinsurance coverage to limit losses related to any individual claim at the level of the insured member in the insurance policy up to SR 100,000.

b. Reinsurance risk

Similar to other insurance companies, The Company, in the course of its normal business cycle, reinsures with third parties to reduce the potential financial losses that may arise from large insurance claims. These arrangements ensure greater diversification in business, allow the management to monitor potential losses that may arise from large risks, and provide additional growth capabilities. A significant portion of reinsurance takes place under reinsurance agreements, discretionary reinsurance contracts, and excess of loss reinsurance.

To reduce its exposure to the risks of large losses arising from the bankruptcy of reinsurance companies, The Company assesses the financial position of reinsurance companies, and monitors the concentration of credit risk resulting in geographical areas and activities and economic characteristics similar to reinsurance companies.

The assigned reinsurance agreements do not relieve The Company of its obligations towards policyholders. Accordingly, The Company remains liable towards policyholders for its share of the reinsured under settlement claims to the extent that the reinsurer has not fulfilled its obligations under the reinsurance agreements.

c. Risks related to regulatory requirements

The Company's operations are subject to the requirements of local regulations in Saudi Arabia. These regulations not only require obtaining approvals and monitor activities, but also impose some restrictions such as capital adequacy to reduce the risks of deficit and bankruptcy by insurance companies and to enable them to pay their unforeseen liabilities when they arise.

d. Credit risk

Credit risk is the inability of one party to meet its obligations with respect to a financial instrument, which results in the other party incurring a financial loss. For all classes of financial assets acquired by The Company, The Company's maximum credit risk represents the carrying value disclosed in the statement of financial position.

Below is a statement of the policies and procedures established to reduce the credit risk to which The Company is exposed:

- The Company enters into insurance and reinsurance contracts only with recognized and reputable parties. The Company's policy is that all customers it wishes to deal with are subject to credit verification and examination. In addition, receivable amounts under insurance and reinsurance contracts are monitored on an ongoing basis to reduce the Company's exposure to bad debts.
- The Company limits the risks related to agents and brokers by setting credit limits for each agent and broker, and monitoring the outstanding receivables.
- Cash, cash equivalents, time deposits and statutory deposits are deposited with local banks approved by the Management. Accordingly, as a precondition, the banks with which they deposit cash, cash equivalents, time deposits and statutory deposits must be rated as having an acceptable level, in terms of security, that confirms soundness of their financial position.
- The Company's investments in funds and investment portfolios are managed by the manager responsible for the investment in accordance with the investment policy approved by the Investment Committee.
- With regard to the credit risk arising from other financial assets, The Company deals only with commercial banks with strong financial position and good credit reputation.
- There are no significant concentrations of credit risk within the Company.

e. Commission rate risk

Commission rate risk arises from the fluctuation in the value or future cash flows of a financial instrument as a result of changes in commission rates prevailing in the market. Float commission financial instruments expose The Company to commission rate risk arising from cash flows, while fixed commission financial instruments expose The Company to commission risk arising from fair value.

The Company is exposed to commission rate risk on some of its investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which the investments are denominated.

f. Operational risk

Operational risk is the direct or indirect loss risk resulting from a wide range of causes associated with the processes, technology and infrastructure that support The Company's operations, whether internally within the Company or externally to the Company's service providers and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and the generally accepted standards of investment management behavior. Operational risk arises from all activities of the Company.

The Company's objective is to manage operational risk to achieve a balance between reducing financial losses and damage to its reputation in achieving its investment objective of generating returns for investors. The primary responsibility for developing and implementing controls over operational risk rests with the Board of Directors. This responsibility includes the elements of control in below areas:

- requirements for appropriate separation of duties between different jobs, roles and responsibilities;
- requirements for settlement and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of the operational risks taking place,
- adequacy of controls and procedures to address the identified risks;
- ethical and business standards and,
- risk mitigation policies and procedures.

g. Risks related to the Cooperative Insurance Companies Control Law and its Implementing Regulations

Insurance companies conduct their business in accordance with the Cooperative Insurance Companies Control Law and its implementing regulations in force in Saudi Arabia. The law defines the insurance companies' framework with regard to business lines, capital and surplus requirements, the volume of insurance claims, the scale and types of investments, technical standards, settlement arrangements, adequacy of reserves, and others. Accordingly, any changes, amendments or new policies in the insurance laws could adversely affect The Company's business, financial position and operational results.

The business of insurance companies is regulated and monitored through the Saudi Central Bank, which has full authority to take the necessary measures to regulate the sector, including issuing or amending business permits approvals, approving the offering of insurance products and their types, imposing fines, penalties and others. In the event that The Company fails to comply with the Cooperative Insurance Companies Control Law and its implementing regulations, it will be subject to fines or penalties, which will negatively and materially affect its business results, financial performance or sustainability.

5. Evaluation of Company Strategy and its Financial Position

In 2022, the Company succeeded in achieving many of its strategic goals despite the difficulties that the insurance industry faced. Depending on sound underwriting principles, the management was able to increase production to SAR 733M compared to the previous year's production of SAR 422M, an increase of 74%. The net profit before zakat and tax amounted to SAR 12.8M, compared to SAR 580K for the previous year. Focusing on SME products which are characterized by moderate loss, fostering electronic sales outlets and providing our human resources with the elements of success undoubtedly had the greatest impact on increasing written premiums and generating additional profits.

In terms of strengthening the Company's solvency and long-term competitiveness, a subscription process for a rights issue was completed after obtaining the approval of the General Assembly and

regulators, and the Company's capital thus became SAR 530M. Such capital increase will enhance the Company's ability to invest in IT and marketing infrastructure systems and attract qualified technical personnel that enable the Company to position itself competitively in the Saudi insurance market. Moreover, this enhanced capital will enable the Company to increase production steadily with a financial solvency that is in alignment with SAMA's regulations.

In 2022, the Company applied all pilot implementation phases related to the transition to IFRS 17 and IFRS 9 as required by SAMA. The management, under the direction of the Board of Directors, provided the necessary technical and human resources for a successful transition plan.

6. Table indicating Company's assets and liabilities, and its business results for last five years 2018-2022

Statement of financial position	2018	2019	2020	2021	2022
Assets of Insurance operations	Thousand Saudi Riyals				
Cash and cash equivalents	55,465	24,006	33,351	26,224	34,387
Time deposits	10,000	10,000	20,350	20,400	135,750
Investments	26,105	29,855	32,653	31,903	32,451
Premiums and reinsurance balances receivable, net	113,178	110,463	141,114	150,977	233,299
Reinsurers' share of unearned premiums	51,490	55,863	42,905	47,877	39,551
Reinsurers' share of outstanding claims	41,491	37,152	33,978	70,587	744,868
Reinsurers' share of claims incurred but not reported	8,160	14,504	9,379	8,346	7,624
Deferred policy acquisition costs	8,391	7,236	11,018	11,122	24,055
Prepaid expenses and other assets	12,297	15,791	17,591	21,806	27,214
Due from related parties	83	83	93	83	83
Property and equipment, net	6,547	6,713	6,599	7,418	10,153
Right-of-use assets		6,734	5,372	3,215	1,297
Due from shareholders' operations	75,413	101,987	41,910	23,213	17,484
Total assets of insurance operations	408,620	420,387	396,311	423,171	1,308,217
Assets of shareholders' operations					
Cash and cash equivalents	35,255	42,587	115,976	59,119	44,732
Time deposits	156,576	119,158	43,414	37,061	38,339
Prepaid expenses and other assets	1,479	1,187	723	2,397	3,180
Return on investment of statutory deposit	2,790	3,859	4,290	4,494	5,381
Investments	99,109	120,143	71,500	109,129	121,979
Statutory deposit	40,000	40,000	40,000	40,000	40,000
Total assets of shareholders' operations	335,209	326,934	275,904	252,200	253,611
Total assets	743,830	747,320	672,215	675,371	1,561,828

	2018	2019	2020	2021	2022
Liabilities of Insurance operations					
Accounts payable	49,149	22,230	23,684	17,106	36,379
Reinsurance balances payable	21,464	36,390	29,424	31,008	20,490
Accrued expenses, and other liabilities	22,175	28,147	26,555	22,759	36,946
Unearned reinsurance commission	4,637	3,623	3,278	3,461	7,912
Gross unearned premiums	149,402	148,602	140,803	168,094	339,638
Outstanding claims	82,739	83,704	80,887	104,492	782,395
Claims incurred but not reported	55,826	64,488	59,982	52,970	68,074
Employees' end of service benefits	10,616	10,845	10,428	10,479	11,564
Due to related parties	313	41	0	199	0
Lease liability		6,253	4,911	2,742	1,236
Premium deficiency reserve and other reserves	10,799	15,159	15,630	8,965	1,601
Total liabilities of insurance operations	407,119	419,480	395,581	422,276	1,306,235
Cumulative surplus					
Accumulated surplus payable	1,939	1,939	2,253	1,439	2,494
Actuarial loss on defined benefit plan	(438)	(1,033)	(1,523)	(544)	(513)
Total liabilities and surplus of insurance operations	408,620	420,387	396,311	423,171	1,308,217
Shareholders' Equity and Liabilities					
Shareholders' liabilities					
Accrued expenses and other liabilities	538	544	1,656	1,201	1,337
Return on investment of statutory deposits	2,790	3,859	4,290	4,494	5,381
Zakat and income tax payable	5,714	4,636	6,282	7,653	7,216
Due to insurance operations	75,413	101,987	41,910	23,213	17,484
Total liabilities of shareholders' operations of insurance operations	84,455	111,026	54,138	36,561	31,418
Shareholders' equity					
Equity capital	265,000	265,000	265,000	265,000	265,000
Accumulated loss	(7,922)	(50,236)	(43,979)	(49,496)	(41,219)
Investment of available-for-sale revaluation reserve	(6,324)	1,143	745	136	(1,589)
Total shareholders' equity	250,754	215,907	221,766	215,639	222,193
Total liabilities and shareholders' equity	335,209	326,934	275,904	252,200	253,611
Total liabilities and accrued surplus of insurance operations and liabilities and shareholders' equity	743,830	747,320	672,215	675,371	1,561,828

Statement Of Income – Insurance operations	2018	2019	2020	2021	2022
Thousand Saudi Riyals					
Gross premiums written	350,787	332,418	346,432	422,323	733,193
Less: Reinsurance premiums ceded	(102,895)	(110,234)	(96,309)	(126,344)	(120,839)
Excess of loss premiums	(9,063)	(4,803)	(4,320)	(4,901)	(6,278)
NET PREMIUMS WRITTEN	238,830	217,381	245,802	291,077	606,076
Change in unearned premiums, net	(6,745)	5,173	(5,159)	(22,319)	(179,870)
NET PREMIUMS EARNED	232,085	222,554	240,643	268,758	426,206
Gross claims paid	(217,984)	(248,706)	(228,106)	(278,099)	(356,287)
Reinsurers share of claims paid	69,249	84,835	70,620	42,255	61,226
Changes in outstanding claims, net	7,811	(7,622)	(977)	18,982	(19,447)
Net claims incurred	(140,924)	(171,493)	(158,463)	(216,862)	(314,508)
Changes in premium deficiency reserve and other technical reserves	(7,043)	(4,360)	(471)	6,665	7,364
Policy acquisition costs	(24,568)	(17,622)	(20,813)	(32,841)	(41,485)
Reinsurance commission earned	25,123	16,370	11,433	27,818	23,401
Other revenue	0	0	0	3,607	7,180
Other underwriting expenses			(6,672)	0	0
NET UNDERWRITING INCOME	84,672	45,450	65,658	57,145	108,158
General and administrative expenses	(84,571)	(88,639)	(58,711)	(62,185)	(100,321)
Net Profit (Loss) of Investments	1,671	1,446	1,197	1,311	2,719
Total surplus / (deficit) for the year	1,773	(41,742)	8,144	(3,729)	10,556
Loss for the year attributed to the shareholders	(1,595)	41,742	(7,329)	3,729	(9,500)

Statement Of Income - Shareholders' operations	2018	2019	2020	2021	2022
Thousand Saudi Riyals					
Income (Loss) for the year attributed to the shareholders	1,595	(41,742)	7,329	(3,729)	9,500
Gain on sale of available for sale investments	(1,251)	1,249	2,016	2,675	1,502
Commission income and Dividend income	6,641	7,513	4,820	3,207	4,069
Impairment loss on available for sale investment	(2,000)	(2,898)	0	0	(1,100)
General and administrative expenses	(1,567)	(1,883)	(1,908)	(1,622)	(1,194)
Net income / (loss) for the year (before zakat and income tax)	3,419	(37,762)	12,257	530	12,778

(6-a) Below are the results of the operating sectors for the financial year ending on 31/12/2022:

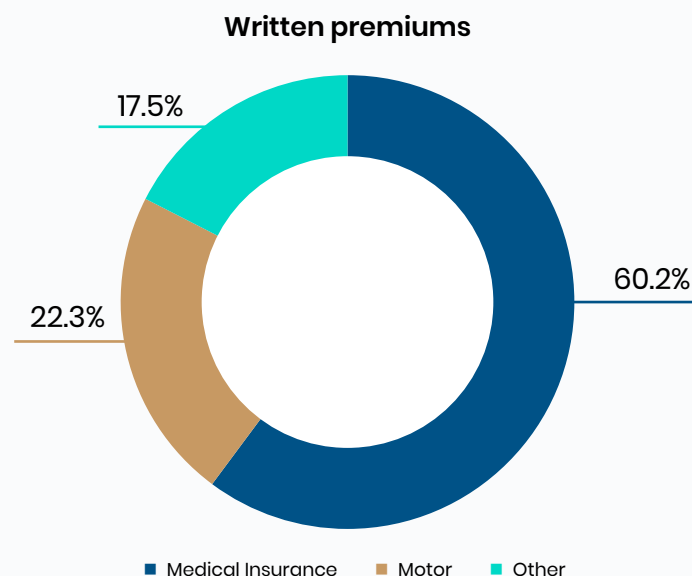
For the year ended on 31 December 2022	In thousands of Saudi Riyals for the fiscal year ended on 31 December 2022			
Insurance results	Medical insurance	Motor	Other	Total
Gross premiums written	441,208	163,810	128,176	733,193
Less: Reinsurance premiums ceded	(2,068)	0	(118,771)	(120,839)
Excess of loss premiums	(2,600)	(1,306)	(2,373)	(6,278)
NET PREMIUMS WRITTEN	436,540	162,504	7,032	606,076
Change in unearned premiums, net	(177,674)	(2,674)	477	(179,870)
NET PREMIUMS EARNED	258,866	159,830	7,509	426,206
Gross claims paid	(170,488)	(145,282)	(40,517)	(356,287)
Reinsurers share of claims paid	23,618	600	37,008	61,226
Changes in outstanding claims, net	(21,896)	4,288	(1,839)	(19,447)
Net claims incurred	(168,767)	(140,394)	(5,348)	(314,508)
Changes in premium deficiency reserve and other technical reserves	(875)	5,872	2,368	7,364
Policy acquisition costs	(15,632)	(13,538)	(12,315)	(41,485)
Reinsurance commission earned	0	0	23,401	23,401
Other underwriting expenses	2,140	387	4,654	7,180
NET UNDERWRITING INCOME	75,732	12,157	20,269	108,158
General and administrative expenses				(100,321)
Net Profit (Loss) of Investments				2,719
Total surplus / (deficit) for the year				10,556

(6-b) Financial Highlights:

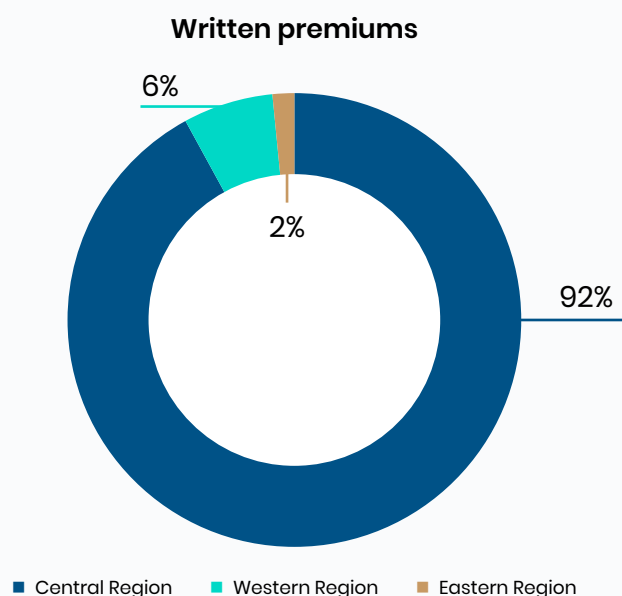
Below is an analytical review of the results for 2022:

1. Net profit before Zakat and Income Tax for 2022 is SAR 12,778 thousand compared to net profit before Zakat and Income Tax of SAR 530 thousand for 2021. The reason behind the increase in net profit during the current year compared to the previous year is attributed to the increase in net premiums earned despite the increase in net claims incurred and general and administrative expenses.
2. Net profit after Zakat and Income Tax for 2022 is SAR 8,277 thousand compared to net loss after Zakat and Income Tax of SAR 5,517 thousand for 2021.
3. Profit per Share for 2022 is SAR 0.31 compared to loss per Share SAR 0.21 for 2021 noting that earning/loss per share calculated after Zakat and Income Tax.
4. Insurance operations profit Policy Holders Investments Revenues (Operations Results) for the year 2022 is SAR 7,837 thousand compared to a deficit of SAR 5,039 for 2021.
5. Gross Written Premiums for 2022 has reached SAR 733,193 thousand compared to SAR 422,323 thousand for 2021. Representing an increase of 74%. Net Written Premiums for 2022 has reached SAR 606,076 thousand compared to SAR 291,077 thousand for 2021. Representing an increase of by 108%
6. Net Earned Premiums for 2022 has reached SAR 426,206 thousand compared to SAR 268,758 thousand for 2021, an increase of 59%.
7. Net Incurred Claims reached for 2022 is SAR 314,508 thousand compared to SAR 216,862 thousand for 2021. Representing an increase of 45%.
8. Net Profit of Policy Holders Investment for 2022 is SAR 2,719 thousand compared to 1,311 thousand for 2021 representing an increase by 107%. Net Profit of Shareholders Capital Investment is SAR 4,471 thousand compared to 5,882 thousand for 2021 representing a decrease of 24%.
9. Shareholders' equity (no minority interest) stands at SR 222.2 million compared to SR 215.6 million for 2021 representing an increase of 3%.
10. Accumulated losses as of the end of the year stand at SR 41.2 million representing 15.6% from the capital.

(6-c) Below is the total distribution of written premiums as per lines of business:



(6-d) Below is the geographical analysis of the total written premiums as per the Kingdom regions, given that The Company does not have any revenues from subsidiaries Outside Saudi Arabia:



(6-e) Accounting Standards

The financial statements have been prepared in accordance with IFRS approved in Saudi Arabia, and other standards and publications approved by SOCPA, the Companies Law and The Company's articles of association.

In accordance with the requirements of insurance regulations in Saudi Arabia, The Company must maintain separate accounts for each of the insurance operations and shareholders' operations and the financial statements are presented accordingly. Assets, liabilities, as well as income and expenses for each activity are recorded in the accounts for that activity. The basis for allocating expenses related to joint operations is determined and approved by The Company's management and the Board of Directors.

The financial statements are prepared on a going concern basis and on the historical cost basis, except for available-for-sale investments, which are measured at fair value and end of service benefits are measured at current value. The statement of

financial position is not displayed using the current/non-current classification. However, the following balances are generally classified in current: cash and cash equivalents, insurance premiums receivable, reinsurance receivables, investments, deferred underwriting costs, prepaid expenses and other assets, accounts payable, reinsurance balances receivables, outstanding claims, accrued expenses and other liabilities, provision for zakat, taxes, distribution of the surplus due and unearned insurance premiums, reimbursed share of unearned premiums, and deferred underwriting costs, unearned commission income. On the other hand, the following balances are generally classified as non-current: end of service indemnities, statutory deposit, returns on statutory deposit, commission income payable to the Saudi Central Bank, claims incurred but not reported, the net property and equipment.

The company presents the statement of financial position in order of liquidity.

7. Subsidiaries

There are no subsidiaries for AICC, and therefore no details of the shares and debt instruments issued for each subsidiary.

8. Investments or reserves established for the benefit of the Company's employees

There are no investments or reserves established for the benefit of the Company's employees, except for the end of service benefits (EOSB).

9. Contracts and transactions with related parties in 2022

The Company confirms that there are no commercial contracts for Board members or companies in which they have a direct or indirect interest, with the exception of the following insurance policies, and that these policies were priced on purely commercial bases and without preferential prices, conditions or services than the rest of the Company's customers and according to the usual procedures, and there are no cases of potential conflict of interest, as follows:

Description of related parties for 2022			
Company/Party	Nature of contract	Term of the contract	Amount in SAR
Arabian Catering & Trading Co. – ASTRA Group	Insurance policies	One Year	108,855
Abdel Hadi Abdullah Al Qahtani & Sons Co	Insurance policies	One Year	5,468,854
Mr. Abdulaziz bin Abdulhadi Al Qahtani	Insurance policies	One Year	229,143
Mr. Abdulaziz bin Saleh Al Omair	Insurance policies	One Year	128,461
wasl investment company	Insurance policies	One Year	384,181
Dr. Abdulrahman Al Angari	Insurance policies	One Year	37,386
Mr. Ghassan Ibrahim Akeel	Insurance policies	One Year	6,747
Total			6,363,627

The following balances arose from transactions with related parties as on 31 December 2022

Company/Party	Amount in SAR	Nature of Balance
Board members and the companies they represent	1,194,014	Debit
Arabia Insurance Company (AIC) – Shareholder	0	
Jordan Insurance Company (JIC) – Shareholder	83,346	Debit
Reinsurance liability payable by Jordan Insurance Company (JIC) – Shareholder	546,767	Debit

Transactions with related parties resulted insurance claims amounting to SAR 862,874 for the members of the board of directors and the companies they represent, and expenses paid by Arabia Insurance Company – Lebanon (shareholder) on behalf of the Company amounting of SAR 299,670, and expenses paid by the Company on behalf of Arabia Insurance Company – Lebanon (shareholder) amounting of SAR 2,750.

10. Existence of businesses or contracts in which The Company is a party and in which the CEO or the CFO or any person related to any thereof has an interest

The Company acknowledges that there are no businesses or contracts in which The Company is a party and in which the CEO or the CFO or any person related to any thereof has an interest, with the exception of individual insurance policies, with a one-year period, for the general manager, Mr. Ziyad Alrubaish, and the CFO, Mr. Adel Albayed, given that these documents were issued within the Company's usual business.

11. The Board of Directors and its Committees

First: The Board of Directors:

The Company's Board of Directors consists of seven members, including the Chairman. The Board members were appointed by the Ordinary General Assembly meeting held on 03/07/1441 AH, corresponding to 27/02/2020, for a period of three Gregorian years starting from 27/02/2020 until 26/02/2023, and The Company followed the cumulative voting method in electing members.

Having obtained the Saudi Central Bank's approval, the Board decided on Thursday 25/11/1441 AH corresponding to 16/07/2020 to appoint Mr. Abdulaziz bin Abdulhadi Al Jadhi Al-Qahtani (non-executive) as Chairman of the Board, and to appoint Dr. Abdulrahman bin Muhammad Al Angari (independent) as Vice Chairman of the Board. On Thursday, 25/11/1441 AH corresponding to 16/07/2020, the Board decided to form the sub-committees, which are as follows: The Executive Committee, the Nominations and Remunerations Committee, the Investment Committee & the Risk Management

Committee.

The Board of Directors exercises its duties and responsibilities in accordance with The Company's articles of association and the rules and regulations issued by all the supervisory authorities in the Kingdom, including the Companies Law, the Cooperative Insurance Companies Control Law and its implementing Regulations, the Corporate Governance Regulations issued by the Capital Market Authority, the Insurance Companies Governance Regulations and The Company's internal regulations. The Board of Directors prepares and reviews the policies and procedures manuals that will ensure The Company's compliance with the laws and regulations issued by all the supervisory authorities regulating The Company's business, and The Company is working on training employees to apply these guides.

a. Formation of the Board of Directors and classification of its members during the fiscal financial year ending on 31 December 2022:

SN	Member Name	position	Membership rating	Representing:
1	Abdulaziz Abdulhadi Al Judee Al Qahtani	Chairman of the Board	Non-Executive	-
2	Abdulrahman bin Muhammad Al Angari	Vice Chairman	Independent	-
3	Abdulaziz bin Saleh Al Omair	Board member	Independent	-
4	Muhammad bin Ibrahim Al Mangour	Board member	Independent	-
5	Ghassan Ibrahim Akeel	Board member	Non-Executive	Arab Supply & Trading Company (ASTRA) – Saudi Arabia
6	Othman (Mohammed Ali) Othman Bdeir	Board member	Non-Executive	Jordan Insurance Company (JIC) PLC (Jordan)
7	Munir Boutros Ibrahim Muasher	Board member	Non-Executive	Arabia Insurance Company (AIC) S.A.L (Holding Company) (Lebanon)

b. Names of the Board members, their current and previous positions, qualifications and experience:

SN	Name	Membership in committees	Current Positions	Previous Positions	Qualifications	Experiences
1	Abdulaziz Abdulhadi Al Judee Al Qahtani	Nominations and Remunerations Committee & Investment Committee	<ul style="list-style-type: none"> - AICC Chairman and member of the Nomination and Remuneration Committee. - Chairman and Board member of the following companies: <ul style="list-style-type: none"> - Abdul Hadi Abdullah Al Qahtani & Sons Holding Company - Abdul Hadi Al Qahtani & Partners Maritime And Oil Field Services Co. - and Abdul Hadi Abdullah Al Qahtani & Sons for Beverage Industry Co. - Al Maha Trading & Contracting Co. - Gulf Salt Industry Company Ltd - Al Qahtani Fisk Company. - Gulf Business Network Group (GBN). 	Board member of Arbah Capital Co.	Bachelor's degree in Business Administration from University of Portland, Oregon, USA	Experience in the fields of marine and petroleum services, electrical and communications works, food industries, contracting, environmental services, mining and financial services
2	Muhammad bin Ibrahim Al Mangour	Risk Management Committee & Investment Committee	<ul style="list-style-type: none"> - AICC Board member. - Member of AICC Risk Management Committee & Investment Committee (Investment) - Vice President Investment Portfolios – Saudi Company for Agricultural Investment and Livestock Production – SALIC - Member of the Venture Investment Committee – Minerva Foods 	<ul style="list-style-type: none"> - Commercial Director at Saudi Arabian Parsons Limited (SAPL) - Investment Manager at Malaz Capital Co. - Senior Manager at Saudi Hollandi Capital Co. - Manager at National Housing Company (NHC) - Assistant Director at Saudi Hollandi Bank, 	<ul style="list-style-type: none"> - Bachelor's degree in Financial Management from Prince Sultan University (PSU). - Certified Public Accountant (CPA) Certificate in the USA 	Experience in banking, investment, financial sector and financial markets.

SN	Name	Membership in committees	Current Positions	Previous Positions	Qualifications	Experiences
3	Abdulaziz bin Saleh Al Omair	Executive Committee & Nomination and Remuneration Committee.	<ul style="list-style-type: none"> - AICC Board member, Chairman of the Nomination and Remuneration Committee, and Member of the Executive Committee. - CEO, Wasl Commercial Investment Co. - Board member of McCain Capital. - Board member, Member of the Executive Committee & the Risk Committee of Bidaya Home Finance (BHF). - Board member of the Creative Box Co. - Board member of Food Concepts Company. 	<ul style="list-style-type: none"> - Regional Head of Central and Eastern Region - Marketing for Institutions and Major Clients at Al Rajhi Capital. - Vice Chairman - Private Equity Funds at Al Rajhi Capital. - Investor Relations Officer at Arcapita Bank, Bahrain 	Bachelor's degree in Business Administration from Webster University, Geneva, Switzerland	Experience in banking and financial services.
4	Abdulrahman bin Muhammad Al Angari	Audit Committee & Nomination and Remuneration Committee	<ul style="list-style-type: none"> - Vice Chairman, and Chairman of the Audit Committee - Executive Director - Ounass Contracting and Technical Consultations 	<p>Chairman of the Public Transport Development Committee in Makkah Region</p> <p>Member of the Makkah Region Council, representing the Ministry of Transport and Logistics Services (MOTLS)</p> <p>Member of the Central Committee for Business Development, Ministry of Communications and Information Technology (MCIT).</p> <p>Vice Chairman of the Highways Privatization Committee in the Kingdom in cooperation with the World Bank.</p> <p>Chairman of the Railway Network Development Committee in the Kingdom in cooperation with the World Bank.</p> <p>Advisor to the Board of Directors of the Saudi Railways Organization (SRO)</p> <p>Adviser to the Saudi Minister of Transport and Logistic Services.</p> <p>CEO of Ounass</p>	<p>PhD in Urban Design and Urban Planning - University of Edinburgh - United Kingdom.</p> <p>Master's in Urban Design - University of New South Wales - Sydney - Australia.</p> <p>Bachelor of Architecture - King Saud University</p>	Experience in the fields of engineering, planning and transportation.

SN	Name	Membership in committees	Current Positions	Previous Positions	Qualifications	Experiences
5	Ghassan Ibrahim Fares Akeel	Risk Management Committee & Investment Committee	<ul style="list-style-type: none"> - AICC Board member and Chairman the Risk Management Committee & the Investment Committee. - Board member of Banque du Amman Cairo Bank - CEO of Arab Supply & Trading Company (ASTRA). - Board member of Astra Industrial Group (AIG). - Board member of the National Aviation Ground Support Co Ltd (NAGS) 	<ul style="list-style-type: none"> - Director of Audit and Financial Consulting at Arthur Andersen & Co. - CFO of Arab Supply & Trading Company (ASTRA). - Executive Vice Chairman of Arab Supply & Trading Company (ASTRA). 	<ul style="list-style-type: none"> - Master's degree in Business Administration from Thunderbird University in Arizona, USA. - Bachelor's degree in Accounting from the University of Jordan in Amman, Jordan - Certified Public Accountant (CPA) Certificate in the USA 	Experience in the fields of financial services, banking, industry, trade and investment
6	Othman (Mohammed Ali) Othman Bdeir	Executive Committee & Risk Management Committee.	<ul style="list-style-type: none"> - AICC Board member and member of the Executive Committee & Risk Management Committee. - Chairman of the Board of Jordan Insurance Company (JIC). - Member of the Investments Committee in Jordan Insurance Company (JIC). - Board member of the Al-Motrabetah Investment Company (P.S.C) - Jordan. - Board member of Asia Insurance Company, Kurdistan, Iraq - Board member of Jordanian Electric Power Company limited (JEPCO). 	Board member of the National Oil & Electricity Production from Oil Shale Company PLC, Jordan	<ul style="list-style-type: none"> - Bachelor's degree in Business Administration from University of Tennessee, USA. - Bachelor's degree in Civil Engineering from University of Tennessee, USA 	Experience in the fields of insurance, industry, mining, investment, electricity, brokerage and investment.
7	Mounir Boutros Muasher	Executive Committee & Nomination and Remuneration Committee.	<ul style="list-style-type: none"> - AICC Board member and Chairman of the Executive Committee & member of the Nominations and Remunerations Committee. - Senior Vice Chairman - Director of Insurance Business Department at Arab Bank PLC - Jordan. - AICC Board member (Jordan). - Board member and Chairman of the Audit Committee of Arabia Falcon Insurance Company (AFIC) - Oman. - Board member and Chairman of the Audit Committee of the Jordan National Shipping Lines Co. Ltd. (JNSL) - Jordan. 	<ul style="list-style-type: none"> - Chairman of the Board of Al-Nisr Al-Arabi Insurance Company - Jordan. - Board member of Arabia Insurance Company (AIC), Lebanon. - CEO of Arabia Insurance Company (AIC), Lebanon. - Chairman of the Board and Chairman of the Audit Committee at Arabia Insurance Company (AIC) - Jordan. 	<ul style="list-style-type: none"> - Bachelor's degree in Accounting from Al-Ahliyya Amman University (AAU), Jordan - Diploma in insurance from the Chartered Insurance Institute (CII), London, UK. 	Experience in the fields of insurance and management.

c. Names of companies inside or outside Saudi Arabia in which a Company's Board member is a member of its current and previous Board of Directors or one of its directors:

SN	Member Name	Names of companies in which a Board member is a member of their current boards of directors or one of their directors	Inside Saudi Arabia/ Outside Saudi Arabia	Legal entity (listed JSC/ unlisted JSC/ LLC ...)	Names of companies in which a Board member is a member of their previous boards of directors or one of their directors	Inside Saudi Arabia/ Outside Saudi Arabia	Legal entity (listed JSC/ unlisted JSC/ LLC ...)
1	Abdulaziz Abdulhadi Al Judee Al Qahtani	AICC. Abdul Hadi Abdullah Al Qahtani & Sons Holding Company Abdul Hadi Al Qahtani & Partners Maritime And Oil Field Services Co. Abdul Hadi Abdullah Al Qahtani & Sons for Beverage Industry Co Al Maha Trading & Contracting Co. Gulf Salt Industry Company Ltd. Al Qahtani Fisk Company. Gulf Business Network Group (GBN).	Inside Saudi Arabia	listed JSC unlisted JSC. LLC LLC unlisted JSC LLC LLC	Arbah Capital Co.	Inside Saudi Arabia	unlisted JSC.
2	Muhammad bin Ibrahim Al Mangour	AICC The Saudi Company for Agricultural Investment and Livestock Production – SALIC Minerva Foods Company	Inside Saudi Arabia Outside Saudi Arabia	listed JSC unlisted owned by the Public Investment Fund	Commercial Director at Saudi Arabian Parsons Limited (SAPL) Investment Manager at Malaz Capital Co. Senior Manager at Saudi Hollandi Capital Co. Manager at National Housing Company (NHC) Assistant Director at Saudi Hollandi Bank,	Inside Saudi Arabia	unlisted listed JSC
3	Abdulaziz bin Saleh Al Omair.	AICC Wasl Commercial Investment Co. McCain Capital Corporation. Bidaya Home Finance (BHF). Food Concepts Company. Creative Box Co.	Inside Saudi Arabia	listed JSC LLC unlisted JSC unlisted JSC LLC LLC			

SN	Member Name	Names of companies in which a Board member is a member of their current boards of directors or one of their directors	Inside Saudi Arabia/ Outside Saudi Arabia	Legal entity (listed JSC/ unlisted JSC/ LLC ...)	Names of companies in which a Board member is a member of their previous boards of directors or one of their directors	Inside Saudi Arabia/ Outside Saudi Arabia	Legal entity (listed JSC/ unlisted JSC/ LLC ...)
4	Abdulrahman bin Muhammad Al Angari	AICC Ounass Contracting and Technical Consultations Est	Inside Saudi Arabia	listed JSC LLC			
5	Ghassan Ibrahim Fares Akeel	Astra Industrial Group (AIG) VTEL Holdings Ltd. AICC National Aviation Ground Support Co Ltd (NAGS) Cairo Amman Bank (CAB) Al Tanmiya for Steel Industries Co. Odicia capital Astra Food	Inside Saudi Arabia Outside Saudi Arabia Inside Saudi Arabia Inside Saudi Arabia Outside Saudi Arabia Outside Saudi Arabia Outside Saudi Arabia Inside Saudi Arabia	Listed JSC LLC listed JSC LLC listed JSC LLC closed JSC	Director of Audit and Financial Consulting at Arthur Andersen & Co. CFO of Arab Supply & Trading Company (ASTRA). Executive Vice Chairman of Arab Supply & Trading Company (ASTRA).	Outside Saudi Arabia Inside Saudi Arabia Inside Saudi Arabia	Partnership LLC LLC
6	Othman (Mohammed Ali) Othman Bdeir	AICC Jordan Insurance Company (JIC) Jordanian Electric Power Company limited (JEPCO) AL-Motrabetah Investment Company (P.S.C) Asia Insurance Company	Inside Saudi Arabia Outside Saudi Arabia. Outside Saudi Arabia Outside Saudi Arabia	listed JSC Public JSC Public JSC Private JSC JSC	The National Company for the Production of Oil and Electric Power from Oil Shale	Outside Saudi Arabia.	listed JSC
7	Mounir Boutros Muasher	AICC Arab Jordan Insurance Company (JIC) Arabia Falcon Insurance Company (AFIC) - Oman Jordan National Shipping Lines Co. Ltd. (JNSL) Jordan Group for Shipping Agencies (JGSA)	Inside Saudi Arabia Outside Saudi Arabia Outside Saudi Arabia Outside Saudi Arabia	listed JSC Public JSC Public JSC Public JSC LLC	Al Nisr Al Arabi Insurance Company - Jordan. Arabia Insurance Company (AIC) - Lebanon	Outside Saudi Arabia.	Public JSC

d. Number and record of attendance at Board of Directors meetings for the financial year ending on 31/12/2022:

SN	Member Name	First meeting 10/02/2022	Second meeting 09/05/2022	Third meeting 02/08/2022	Fourth meeting 06/09/2022	Fifth meeting 09/11/2022
1	Abdulaziz Abdulhadi Al Judee Al Qahtani	Attended	Attended	Attended	Attended	Attended
2	Abdulahman bin Muhammad Al Angari	Attended	Attended	Attended	Attended	Attended
3	Abdulaziz bin Saleh Al Omair	Attended	Attended	Attended	Attended	Attended
4	Muhammad bin Ibrahim Al Mangour	Attended	Attended	Attended	Attended	Attended
5	Ghassan Ibrahim Akeel	Attended	Attended	Attended	Attended	Attended
6	Othman (Mohammed Ali) Othman Bdeir	Attended	Attended	Attended	Attended	Attended
7	Munir Boutros Ibrahim Muasher	Attended	Attended	Attended	Attended	Attended

e. A penalty, precautionary restriction, or amercement imposed upon any Board member from any judicial, supervisory or regulatory authority related to the Company.

There is no penalty, precautionary restriction, or amercement imposed on any of the Board members from any judicial, supervisory or regulatory authority related to the Company.

Second: Board of Directors Committees:

In implementation of the provisions of the Companies Law, the Corporate Governance Regulations issued by the Capital Market Authority, the Insurance Companies Governance Regulations and The Company's articles of association, Board of Directors committees were formed from Board members and non-Board members and their work regulations were approved to assist The Company's Board of Directors in managing The Company effectively and efficiently.

1. Current and previous positions, qualifications and experience of non-Board of Directors committee members

SN	Name	Current positions	Previous positions	Qualifications	Experiences
1	Abdulelah M. Bin Moammar	<ul style="list-style-type: none"> - Member of the AICC Audit Committee - Executive Director - Corporate Finance Thiqah Business Services Co. 	<ul style="list-style-type: none"> - General Manager of Investment and Governance at Saudi Aircraft Adjustment and Maintenance Company (GDC Middle East) - Director General of the Financial Department at Saudi Aircraft Adjustment and Maintenance Company (GDC Middle East) - CFO at Saudi Technology and Security Comprehensive Control Co. Ltd. (Tahakom) - Credit Analyst at the Saudi Industrial Development Fund (SIDF) 	<ul style="list-style-type: none"> - Master's degree in Business Administration, New York University - USA - Bachelor's degree in Business Administration - Financial Management from King Saud University 	<ul style="list-style-type: none"> - Experience in the fields of finance, investment and governance.
2	Meshary bin Salman Al Suhaim	<ul style="list-style-type: none"> - Member of the audit committee at AICC. - Owner of Suhaim Chartered Accountant Office 	<ul style="list-style-type: none"> - Director of Financial Control at Alinma Investment Company - Accountant at Ernst & Young. - Accountant at Dar Alarkan Real Estate Development Co. (DAAR) 	<ul style="list-style-type: none"> - Bachelor's degree in Accounting from King Saud University. - Master of Science in Management from the USA 	<ul style="list-style-type: none"> - Experience in the fields of accounting, finance and auditing.

2. Current and previous positions, qualifications and experience of Board of Directors committee members:

The CVs of committee members from within the Board of Directors, including their current and previous positions, qualifications and experiences, as mentioned on Section NO. (11) subsection (B).

a. Audit Committee:

(a-1) The Audit Committee was formed, and its tasks, work regulations and members' remuneration were approved for the new Board session, which started on 27/02/2020 for a three- Gregorian-year period at the Ordinary General Assembly meeting held on 09-09-1438 AH corresponding to 20-08-2020.

In 2017, the Ordinary General Assembly meeting approved the Audit Committee's work regulation in implementation of the provisions of the updated corporate governance regulation. The tasks of the audit committee are in accordance with the provisions of the Companies Law, the Corporate Governance Regulations and the Regulations for Audit Committees in Insurance Companies issued by the Saudi Central Bank in addition to the internal corporate governance regulation and the Audit Committee's work regulations, including for example, without limitation the following:

- Supervising the Company's internal audit department to verify its effectiveness in carrying out the work and tasks assigned thereto by the Board of Directors.
- Examining the internal control system and developing a written report on its opinion and recommendations in this regard.
- Examining internal audit reports and following up on the implementation of corrective

actions for the observations contained therein.

- Recommending to the Board of Directors the appointment of external auditors, their dismissal, and their remuneration, and ensuring their independence, when recommending appointment.
- Following up on the work of external auditors, and approving any work outside the scope of the audit work they are assigned to do while they are performing the audit work.
- Examining the audit plan with the external auditors, and expressing its comments thereon.
- Examining the external auditors notes on the financial statements and following up on what has been done in their regard.
- Examining the preliminary and annual financial statements before submitting the same to the Board of Directors and expressing an opinion and recommendation in this regard.
- Examining the accounting policies used and expressing an opinion and recommendation to the Board of Directors in this regard.

(a-2) Names of the Audit Committee members:

SN	Member Name	Position	Member's capacity in the Board of Directors
1	Abdulrahman bin Muhammad Al Angari	Chairman of Committee	Chairman of Committee
2	Meshary bin Salman Al Suhaim	Committee member	Non-Board member
3	Abdulelah M. Bin Moammar	Committee member	Non-Board member

(a-3) Number and record of attendance of audit committee meetings during 2022:

SN	Member Name	First meeting 08/03/2022	Second meeting 12/05/2022	Third meeting 19/05/2022	Fourth meeting 31/05/2022	Fifth meeting 16/08/2022	Sixth meeting 30/10/2022	Seventh meeting 15/11/2022
1	Abdulrahman Al Angari	Attended	Attended	Attended	Attended	Attended	Attended	Attended
2	Meshari Al Suhaim	Attended	Attended	Attended	Attended	Attended	Attended	Attended
3	Abdulelah Bin Moammar	Attended	Attended	Attended	Attended	Attended	Attended	Attended

b. Nominations and Remunerations Committee:

(b-1) The Nominations and Remunerations Committee was formed as per a decision of the Board of Directors after obtaining no objection from the Saudi Central Bank. The tasks of the Nominations Committee are as stipulated in the relevant laws, regulations and instructions and the work regulations of the Nominations and Remunerations Committee, including, without limitation, the following:

- Recommending the Board of Directors, to nominate Board members, in accordance with the approved policies and standards, taking into consideration not to nominate any person previously convicted of a crime that violates honor and trust.
- Annual review of the required needs of the appropriate skills for Board membership, and preparing a description of the capabilities and qualifications required for Board membership, including

determining the time that a member must devote to work with Board of Directors.

- Reviewing the Board of Directors structure, and making recommendations regarding changes that can be made.
- Determining the weaknesses and strengths of the Board of Directors, and suggesting the same to be addressed in line with The Company's interest.
- Ensuring, on an annual basis, that independent members are really independent, and that there is no conflict of interest if a member is a Board member of another company.
- Establishing and reviewing clear compensation and remuneration policies for Board members and senior executives, and taking into consideration, when setting these policies, the use of performance-related standards.
- Recommending the Board of Directors on matters related to nominations and remuneration.

(b-2) Names of Nominations and Remunerations Committee members:

SN	Member Name	Position	Member's capacity in the Board of Directors
1	Abdulaziz bin Saleh Al Omair	Chairman of Committee	Independent
2	Abdulrahman bin Muhammad Al Angari	Committee member	Independent
3	Abdulaziz bin Abdulhadi Al Qahtani	Committee member	non-executive
4	Mounir Boutros Muasher	Committee member	non-executive

(b-3) The number and record of attendance at Nomination and Remuneration Committee meetings during 2022:

SN	Member Name	First meeting 21/06/2022	Second meeting 08/11/2022	Third meeting 28/12/2022
1	Abdulaziz bin Saleh Al Omair	Attended	Attended	Attended
2	Abdulaziz bin Abdulhadi Al Qahtani	Attended	Attended	Attended
3	Abdulrahman bin Muhammad Al Angari	Attended	Attended	Attended
4	Mounir Boutros Muasher	Attended	Attended	Attended

(b-3) The number and record of attendance at Nomination and Remuneration Committee meetings during 2022:

SN	Member Name	First meeting 21/06/2022	Second meeting 08/11/2022	Third meeting 28/12/2022
1	Abdulaziz bin Saleh Al Omair	Attended	Attended	Attended
2	Abdulaziz bin Abdulhadi Al Qahtani	Attended	Attended	Attended
3	Abdulrahman bin Muhammad Al Angari	Attended	Attended	Attended
4	Mounir Boutros Muasher	Attended	Attended	Attended

c. Executive Committee:

(c-1) The Executive Committee was formed as per a decision of the Board of Directors, taking into consideration any instructions set by the Saudi Central Bank or the Board of Directors or the relevant rules, regulations and instructions, the Executive Committee shall exercise all the powers decided by the Saudi Central Bank or the Board of Directors. The Executive Committee shall cooperate with the Managing Director or the Director General within the limits of the powers assigned thereto. The Executive Committee makes recommendations to the Board of Directors on various topics such as strategic plans and action plans. The Board of Directors delegates the Executive Committee to carry out its duties in some cases.

(c-2) Names of the Executive Committee members:

SN	Member Name	position	Member's capacity in the Board of Directors
1	Mounir Boutros Muasher	Chairman of Committee	non-executive
2	Othman Muhammad Ali Bdeir	Committee member	non-executive
3	Abdulaziz Saleh Al Omair	Committee member	Independent

(c-3) Number and record of attendance at Executive Committee meetings during 2022:

SN	Member Name	First meeting 09/02/2022	Second meeting 09/05/2022	Third meeting 27/06/2022	Fourth meeting 06/09/2022	Fifth meeting 08/11/2022	Sixth meeting 19/12/2022
1	Mounir Boutros Muasher	Attended	Attended	Attended	Attended	Attended	Attended
2	Abdulaziz Saleh Al Omair	Attended	Attended	Attended	Attended	Attended	Attended
3	Othman Muhammad Ali Bdeir	Attended	Attended	Attended	Attended	Attended	Attended

d. Investment Committee:

(d-1) Tasks of Investment Committee are summarized in developing strategic plans for company's investments and ensuring their compliance with the provisions of the bylaws and regulations issued by the supervisory authorities, including investment regulations issued by the Saudi Central Bank, formulating and preparing the investment, reviewing its performance and implementing it on an annual basis. Investment Committee also monitors performance of the Company's investments, determining the investment objectives, and setting the necessary plans for investment.

(d-2) Names of the Investment Committee members:

SN	Member Name	Position	Member's capacity in the Board of Directors
1	Ghassan Ibrahim Akeel	Chairman of Committee	Non-executive
2	Abdulaziz bin Abdulhadi Al Qahtani	Committee member	Non-executive
3	Muhammad bin Ibrahim Al Mangour	Committee member	Independent

(d-3) Number and record of attendance at Investment Committee meetings during 2022:

SN	Member Name	First meeting 06/02/2022	Second meeting 08/05/2022	Third meeting 07/08/2022	Fourth meeting 06/11/2022
1	Ghassan Ibrahim Akeel	Attended	Attended	Attended	Attended
2	Abdulaziz bin Abdulhadi Al Qahtani	Attended	Attended	Attended	Attended
3	Muhammad bin Ibrahim Al Mangour	Attended	Attended	Attended	Attended

e. Risk Management Committee

(e-1) The tasks of the Risk Committee are summarized in assisting the Board of Directors and senior management in the process of identifying, limiting and monitoring the risks that The Company is exposed to continuously, and maintaining an acceptable level of risk for The Company. In addition to working on designing a comprehensive risk management strategy and following up on its implementation, reviewing and updating it based on the variables. The Company also supervises the risk management system, evaluates its effectiveness, and makes recommendations to the Board of Directors on issues related to risk management.

(e-2) Names of the Risk Management Committee Members:

SN	Member Name	position	Member's capacity in the Board of Directors
1	Ghassan Ibrahim Akeel	Committee member	non-executive
2	Othman Muhammad Ali Bdeir	Committee member	non-executive
3	Muhammad bin Ibrahim Al Mangour	Committee member	independent

(e-3) The number and record of attendance at the meetings of the Risk Management Committee during 2022:

SN	Member Name	First meeting 06/02/2022	Second meeting 08/05/2022	Third meeting 07/08/2022	Fourth meeting 06/11/2022
1	Ghassan Ibrahim Akeel	Attended	Attended	Attended	Attended
2	Othman Muhammad Ali Bdeir	Attended	Attended	Attended	Attended
3	Muhammad bin Ibrahim Al Mangour	Attended	Attended	Attended	Attended

12. Names of the executive management members, their current and previous positions, qualifications and experience

SN	Name	Current Job	previous positions	Qualifications	Experiences
1	Ziyad bin Muhammad Al Rubaish	- General Manager at AICC	<ul style="list-style-type: none"> - Deputy General Manager of AICC - Director of Compliance Department at AICC. - Director of Legal and Shareholder Affairs at AICC. - Legal advisor and Head of the Insurance Team at the Saudi Industrial Development Fund (SIDF) - Lawyer and legal advisor. 	<ul style="list-style-type: none"> - Higher Diploma in Commercial Law and Insurance Law from Swansea University, UK. - LLB from the University of Jordan - Higher Law Diploma from Bournemouth Business School International (BBSI), UK. - Certificates specializing in insurance 	Experience in the fields of commercial law, industry, insurance and finance
2	Adel bin Saleh Al Faraj	Director of Human Resources and Administrative Affairs.	Human Resources Director – Saudi Chemical Company.	<ul style="list-style-type: none"> - Bachelor's degree from King Saud University - International professional certificates specialized in the field of human resources. 	Practical and professional experience in all roles and tasks of human resources management in the field of insurance, petrochemical industries, and health services.
3	Adel Basheer AlBayedh	Chief Financial Officer	<ul style="list-style-type: none"> - Chief Accountant – Arabia Insurance Cooperative Company - Reporting & Financial Analyst – Arabia Insurance Cooperative Company 	<ul style="list-style-type: none"> - Master's degree in Business Administration (MBA) from the Saudi Electronic University in association with Colorado State University. - Bachelor of Science in Accounting from Imam Mohammed bin Saud University. - Certificate in Leadership program on Organizational Leadership from Harvard business school. - Certified Financial Modeling & Valuation Analyst, Corporate Finance Institute (CFI). 	Experience in the fields of finance, accounting, insurance and investment.
4	Saud Bin Ahmed Al Manae	Technical Department Director	<ul style="list-style-type: none"> - Director of Motor Claims and General Insurance – Central Region, Director of Service Providers Department, and Director of Compliance and Quality at Tawuniya Insurance Company. - Claims Manager (General, Auto and Health Insurance) at Allianz Saudi Fransi Co. – Director of Claims Department (General, Auto and Health Insurance) at Al Alamiya Cooperative Insurance Company 	<ul style="list-style-type: none"> - Diploma in Insurance from the Chartered Insurance Institute, London, UK. - Diploma in Claims Handling Process from the Chartered Insurance Institute (CII), London, UK. - Bachelor's degree in Agricultural Sciences from King Saud University. 	Experience in the insurance field

13. A description of any interest, contractual securities and subscription rights belonging to members of the Board of Directors, senior executives and their relatives in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the Financial year 2022:

(13-a) Board Members and their Relatives:

SN	Stakeholder Name	Beginning of year		End of year		Net variation	Variation ratio
		Shares	Debt instruments	Shares	Debt instruments		
1	Abdulaziz bin Abdulhadi Al Qahtani	29150	None	616684	None	587534	2,015.55%
	Wife and minor sons	None	None	None	None	None	None
2	Muhammad bin Ibrahim Al Mangour	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
3	Abdulaziz bin Saleh Al Omair	662	None	662	None	None	None
	Wife and minor sons	None	None	None	None	None	None
4	Abdulrahman bin Muhammad Al Angari	1000	None	1000	None	None	None
	Wife and minor sons	None	None	None	None	None	None
5	Ghassan Ibrahim Akeel	4000	None	8000	None	4000	100%
	Wife and minor sons	None	None	None	None	None	None
6	Othman Muhammad Ali Bdeir	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
7	Mounir Boutros Muasher	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None

(13-b) Senior Executives and their Relatives

SN	Stakeholder Name	Beginning of year		End of year		Net variation	Variation ratio
		Shares	Debt instruments	Shares	Debt instruments		
1	Ziyad bin Muhammad Al Rubaish	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
2	Adel bin Saleh Al Faraj	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
3	Adel Basheer AlBayedh	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None
4	Saud bin Ahmed Al Mandae	None	None	None	None	None	None
	Wife and minor sons	None	None	None	None	None	None

14. Remuneration of Board members and Executives

(14-a) Remuneration Policy:

The approved Company's internal governance regulation included Remuneration Policy for Board members, members of committees and executive management

Objectives and Foundations of the Policy:

1. Motivating to lead the company successfully in a positive manner for the company and its shareholders.
2. Achieving long-term growth in line with the company's strategy and achieving its objectives.
3. Ensuring that there is transparency and fairness in remuneration.
4. Contributing to attracting qualified cadres to the BOD, sub-committees and senior management, and employees of all grades.
5. Taking into consideration the best practices in determining the remunerations.
6. The BOD shall ensure that the level and structure of remuneration and compensation are fair and consistent with the objectives of the company, and that it does not cause a COI that shall adversely affect the company and its shareholders and achieve the interests of the insured and the shareholders.

First: Remuneration of Board Members:

1. The remuneration of the BOD members shall be in accordance with the provisions of the company's AOA and the relevant laws and regulations, provided that the BOD adopts the policy of remuneration and compensation for the BOD members, the sub-committees and the executives in accordance with the legal requirements, and in line with the company's strategy and achieving its objectives.
2. The remuneration of the BOD members shall be a certain amount, attendance allowance for sessions, in-kind benefits, or a certain percentage of the net profits, and two or more of these benefits may be combined.
3. In the event the company achieves profits, a percentage equivalent to (10%) of the rest of the net profit may be distributed after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law, the Companies Law and this Law, and after distributing a profit to shareholders of no less than (5%) from the paid-up capital of the company, provided that the entitlement to this

bonus is proportional to the number of sessions attended by the member, and any assessment to the contrary is void.

4. In all cases; the sum of what a BOD member receives in terms of financial or in-kind remunerations and benefits shall not exceed five hundred thousand Saudi riyals annually (with exception of members of the Audit Committee), in accordance with the regulations set by the Capital Market Authority.
5. The report of the BOD to the Ordinary General Assembly shall contain a comprehensive statement of all the bonuses, expenses allowances and other benefits received by the BOD members during the financial year. In addition, it shall also contain a statement of what the BOD members received in their capacity as workers or administrators, or what they received in return for technical or administrative work or consultancy. Furthermore, it shall include a statement of the number of BOD sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.
6. A BOD member may not receive commissions or remunerations for the works that they contribute to concluding for the benefit of the company, and no portion of his remuneration or compensation may be linked directly to the company's business volume (insurance premiums).
7. The remuneration may be suspended or refunded if it appears that it was decided based on inaccurate information provided by a BOD member.
8. The recommendation to the BOD about the remuneration of the BOD members shall be through the Nomination and Remuneration Committee and submit them to the General Assembly for approval.
9. A BOD member shall not be entitled to any remuneration in the event that he does not attend less than two-thirds of the meetings during the year or if he is absent for three consecutive sessions.
10. The remuneration of a BOD member is calculated according to the following criteria:
 - a. Performance and effectiveness.
 - b. Duties and Responsibilities.
 - c. Membership and chairmanship of the sub-committees,
 - d. The date of joining and the date of expiry of membership.
 - e. Active attendance at meetings.
 - f. Number of meetings attendance
 - g. Attending the meetings of the general assemblies of shareholders.

Second: Remuneration of Members of Board Committees:

1. The remuneration of the members of the Audit Committee shall be in accordance with the resolution issued by the General Assembly when it is formed.
2. A committee member from within or outside the BOD shall be entitled to a flat remuneration due to his membership in the committees of the Board of Directors provided that it is within the limits stipulated in the company's AOA and other relevant laws and regulations.
3. It is not permissible for a member of any of the committees of the Board of Directors to receive commissions or remunerations in exchange for the works that they contribute to concluding for the benefit of the company, and no part of his remunerations or compensation may be linked directly to the company's business volume (insurance premiums).
4. The remuneration may be suspended or refunded if it appears that it was decided based on inaccurate information provided by a member of the committee emanating from the BOD.
5. The committee member's remuneration shall be calculated from within the BOD or outside the BOD according to the following criteria:
 - a. Performance and effectiveness.
 - b. Duties and Responsibilities.
 - c. Membership and chairmanship of the sub-committees.
 - d. The date of joining and the date of expiry of membership.
 - e. Active attendance at meetings.
 - f. Number of meetings attendance

Third: Executive Management Remunerations:

1. Components of wages and remunerations:

a. Fixed Components:

Basic wage: The basic wage for the executive management shall be determined according to the company's wage scale provided that in determining the wage, scientific and professional qualifications, practical experience, the nature of the job, the tasks and responsibilities assigned thereto, and in accordance with the prevailing wages in the market, in addition to other allowances according to the company's internal policy, such as housing and transportation allowances.

b. Variable Components:

Performance-Based Remuneration; shall include performance remuneration that is given discretionarily to motivate senior executives or executive management, and based on the performance of the company in general and the performance of the individual manager provided that the following criteria shall be observed:

1. Achieving the target profit.
2. Executing the assigned projects and works as required.
3. Meeting all regulatory requirements.
4. Reducing expenses in proportion to the volume of production.
5. Extraordinary achievements during the fiscal year.

2. Controls for the Disbursement of Executive Management Remuneration:

1. Performance-based remuneration shall be determined according to the evaluation prepared by the Nomination and Remuneration Committee and based on the basic salary and not on the total income or a percentage of operating profits.
2. It shall not be permissible for a member of the senior management (with exception of sales managers) to receive commissions or remunerations for the work that they contribute to make on behalf of the company, and it is not permissible to link any part of their remunerations and compensation (with exception of sales managers) to the company's business volume (insurance premiums) directly.
3. The BOD shall be recommended the executive management remuneration through the Nomination and Remuneration Committee.
4. It is permissible to stop the payment of the remuneration or to recover it if it is found that it was decided on basis of misinformation provided by the member of the executive management.

There's no major deviation from applying this policy.

(14-b) Remunerations and compensations paid to Board members and five of senior executive members, including CEO and CFO during the financial year 2022:

First: Board of Directors: (SAR)

	Fixed Bonuses					Variable Bonuses					End of Service Benefits	Grand Total	Expense allowance	
	specific amount	Allowance for attending board meetings	Allowance for attending committee sessions	Allowance in kind	Benefits for technical, administrative and consulting works	Total	Proportion from profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans				Total
First: the independent members														
Muhammad bin Ibrahim Al Mangour	-	12,000	9,000	-	-	21,000	-	-	-	-	-	-	21,000	-
Abdulaziz bin Saleh Al Omair	-	12,000	9,000	-	-	21,000	-	-	-	-	-	-	21,000	-
Abdulrahman Muhammad Al Angari	-	12,000	12,000	-	-	24,000	-	-	-	-	-	-	24,000	-
Total	-	36,000	30,000	-	-	66,000	-	-	-	-	-	-	66,000	-
Second: Non-executive members														
Abdulaziz bin Abdulhadi Al Qahtani	-	12,000	7,500	-	-	19,500	-	-	-	-	-	-	19,500	-
Othman Muhammad Ali Bdeir	-	12,000	10,500	-	-	22,500	-	-	-	-	-	-	22,500	-
Mounir Boutros Muasher	-	12,000	9,000	-	-	21,000	-	-	-	-	-	-	21,000	-
Ghassan Ibrahim Akeel	-	12,000	9,000	-	-	21,000	-	-	-	-	-	-	21,000	-
Total	-	48,000	36,000	-	-	84,000	-	-	-	-	-	-	84,000	-
total sum	-	84,000	66,000	-	-	150,000	-	-	-	-	-	-	150,000	-

- The above amounts constitute what has been paid or what is due to be paid for 2022
- Allocated provision for Board of Directors attendance allowances and for Board members' remuneration rewards for 2022 amounts to SAR 1,169,914

Second: Committee members: (SAR)

Committee Member Remuneration			
Committee	Fixed remuneration (except for the allowance for attending sessions)	Allowance for attending sessions	Total
Audit Committee Members			
Abdulelah bin Moammar	60,000.00	0.00	60,000.00
Meshari Al Suhaim	60,000.00	0.00	60,000.00
Abdulrahman bin Muhammad Al Angari	60,000.00	9,000	69,000.00
Total	180,000.00	9,000	189,000.00
Nomination and Remuneration Committee Members			
Abdulaziz bin Abdulhadi Al Qahtani	0.00	3,000.00	3,000.00
Abdulrahman bin Muhammad Al Angari	0.00	3,000.00	3,000.00
Abdulaziz bin Saleh Al Omair	0.00	3,000.00	3,000.00
Mounir Boutros Muasher	0.00	3,000.00	3,000.00
Total	0.00	12,000.00	12,000.00
Risk Committee Members			
Muhammad bin Ibrahim Al Mangour	0.00	4,500.00	4,500.00
Othman Muhammad Ali Bdeir	0.00	4,500.00	4,500.00
Ghassan Ibrahim Akeel	0.00	4,500.00	4,500.00
Total	0.00	13,500.00	13,500.00
Executive Committee Members			
Abd Al Aziz bin Saleh Omeir	0.00	6,000.00	6,000.00
Othman Muhammad Ali Bdeir	0.00	6,000.00	6,000.00
Mounir Boutros Muasher	0.00	6,000.00	6,000.00
Total	0.00	18,000.00	18,000.00
Investment Committee Members			
Abdulaziz bin Abdulhadi Al Qahtani	0.00	4,500.00	4,500.00
Muhammad bin Ibrahim Al Mangour	0.00	4,500.00	4,500.00
Ghassan Ibrahim Akeel	0.00	4,500.00	4,500.00
Total	0.00	13,500.00	13,500.00
Gross Total	180,000.00	66,000.00	246,000.00

The above amounts constitute what has been paid or what is due to be paid.

Third: Five senior executives, including the CEO and CFO (SAR):

Year Ended December 31, 2022	Senior executives, including the General Manager and Chief Financial Officer in Saudi Riyals
Salaries	3,452,180.36
Allowances	1,237,199.64
Annual Bonuses	-
Due End of Service indemnity	160,050.63
Total:	4,849,430.63

Fourth: There are no arrangements or agreements whereby a Board member or a senior executive waived any salary or bonus or compensation.

15. The means adopted by the Board of Directors in evaluating its performance and the performance of its committees and members:

The Nomination and Remuneration Committee evaluates the Board members and committees on an annual basis. This is done through the following indicators:

- Independence and impartiality.
- A clear balance in avoiding conflicts of interest.
- Permanent preparation for meetings before the sessions, asking inquiries and requesting additional information to complete and clarify topics, and consult with the relevant authorities, from The Company's concerned seniors.
- Asking questions, inquiring about information, requesting clarifications, and actively participating in the Board of Directors's sessions.
- Active participation in the committee appointed by the Board of Directors.
- Presenting constructive proposals for the development of the Company's activities.
- Foresight knowledge of the future, explaining ideas and eliciting results for proposals.

16. Statutory payments for 2022:

Statement	Provision	Paid
Saudi Stock Exchange (TADAWUL)	-	429,445
The costs of supervision and control, the Saudi Central Bank	-	3,214,356
Fees of Council of Cooperative Health Insurance (CCHI)	1,110,528	3,528,013
Zakat and income tax	7,215,968	4,936,921
Withholding tax	5,543,042	186,367
Total	13,869,538	12,295,102

17. Financial fines imposed on The Company during 2022

First: the Saudi Central Bank's executive decisions and the fines imposed on The Company for the years 2021 and 2022:

Violation Subject	2021		2022	
	Number of executive decisions	The total amount of fines in Saudi Riyals	Number of executive decisions	The total amount of fines in Saudi Riyals
Violation of the Saudi Central Bank's supervisory instructions	4	210,000	1	60,000
Total	4	210,000	1	60,000

Second: Fines of other regulatory authorities:

Council of Health Insurance (CHI)

Violation Subject	Total fine in SAR
On 13/05/1444 H (07/12/2022), the Council of Health Insurance (CHI) imposed a fine on the company due to the delay in paying health service providers dues for previous years.	282,100

The Company is Complying with the rules, regulations, and instructions issued by the supervisory authorities. The Company also has control departments that monitor The Company and issue reports on any observations or violations of the rules, regulations and instructions, as well as suggest corrective and preventive measures in coordination with the concerned departments. The Company takes corrective and necessary measures to try to avoid occurrence of violation in the future.

18. External Auditors

- The Company's Ordinary General Assembly meeting 28/11/1443H (27/06/2022) approved the appointment of the Company auditors from among the candidates to examine, review and audit the financial statements for the second, third, and annual financial statements for the fiscal year 2022 and the first quarter of the financial year 2023 and determine their fees. They are as follows: Al Azem, Al Sudairy, Al Shaikh & Partners - Certified Accountants and Auditors, and Al Kharashi & Co. - Certified Accountants and Auditors.
- The Board of Directors did not issue any recommendation to change the auditor prior to the period for which they were appointed. Just as there is no recommendation from the Audit Committee, there is a conflict between it and the Board of Directors's decisions or the Board of Directors's refusal to take them regarding the appointment of the Company's auditor, determining their fees, or evaluating their performance.

19. Risk Management

The Company has developed policies and procedures guide for risk management that includes the work of all technical and non-technical departments in accordance with the provisions of laws, regulations and circulars issued by the supervisory authorities. The Company works to implement the provisions of this guide, review it annually and update it when needed. The risk management function carries out its work and activities in compliance with the the Saudi Central Bank-Promulgated Risk Management Regulations and any other control or supervisory requirements.

Also, the Board of Directors's Risk Management Committee, in addition to risk management, works to follow up on the implementation of risk management policies and procedures and to study potential risks that may arise from The Company's business or from the insurance and investment market situation to find out ways to contain those risks through the policies and procedures adopted in the Company.

20. Internal Audit Department and the Statutory Compliance Department

The Company's Internal Audit Department evaluates the effectiveness and efficiency of internal controls, policies and procedures while maintaining professional independence. Its tasks include the preparation of comprehensive reports that are necessary for the results of its audit and compliance, as well as its discussion with the audit committee and concerned directors. In addition to providing proposals and recommendations to be implemented to address and close the comments.

Moreover, the Compliance Officer monitors The Company's compliance and ensure that The Company implements the laws and regulations promulgated by all regulatory authorities, and submits its reports regarding the results of its audit to the Audit Committee and take the necessary actions to promote The Company's compliance level.

21. Results of annual review for Internal Control procedures' effectiveness

The Company has developed the internal control procedures, by the Audit Committee, the Internal Audit Department and the Compliance Department, the regulations, policies and work guidelines for all technical departments and branches. Furthermore, The Company constantly evaluates the effectiveness of implementing such procedures and examines the basic risks within the Company based upon procedures and policies as per the applicable laws and regulations.

The Audit Committee also monitored the performance of the Internal Audit Department, including its tasks, and the implementation of its plan approved by the Audit Committee for the year 2022. The Committee also continuously monitored the work of the Internal Audit Department, which in turn prepared its periodic reports, recommendations and proposals to be applied on the work of the Company's various departments and submitted the same to the concerned departments and the Audit Committee and made recommendations in this regard to the Board of Directors. The Audit Committee supervised the Compliance Department performance, reviewed all reports issued thereby, provided guidance in their regard, and monitored its work on an ongoing basis.

The Audit Committee held seven meetings during the year 2021 to discuss and review the Internal Audit Department and the Compliance Department reports, and to discuss the financial statements with the external auditor, company management and other topics in accordance with the regulatory requirements. The annual review of the effectiveness of the internal control procedures resulted in the fact that the Company's internal control system is appropriate and implemented efficiently and effectively, and the management monitors it periodically and takes corrective actions proposed by the internal control departments, and the internal control system is updated whenever necessary. The Audit Committee believes that the internal control procedures carried out by The Company through the various departments and committees are constantly improving in order to operate efficiently and effectively, given that it cannot provide an absolute confirmation.

Just as the internal control procedures did not result in violations or fundamental problems that might affect the Company's work or should be noted, and no financial defect was detected during the year 2022.

22. Capital, Shares, Debt Instruments and Shareholders' Equity

(23-a) The Company's capital upon incorporation amounted to two hundred million Saudi riyals (SAR 200,000,000/-) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi riyals (SAR 10/-) per share, which is totally paid. The founding shareholders subscribed by twelve million (12,000,000) shares (60%) of the Company's total shares, and they paid its full value. The remaining shares amounting to (8,000,000), eight million shares, i.e. (40%) were offered for public subscription that was made in the period from 15/10/1428 AH (Corresponding to 27/10/2007) to 22/10/1428 AH (corresponding to 03/11/2007) at a subscription price of ten Saudi riyals (SAR 10/-) per share. The shares were listed in the Saudi Stock Exchange (Tadawul) on 26/01/1429 AH (Corresponding to 04/02/2008).

The Company's capital was increased on 15/07/1436 AH (04/05/2015) by (SAR 200,000,000), two hundred million Saudi Riyals, which represents (20,000,000), twenty million shares by offering rights issue shares. As the company's capital has become (SAR 400,000,000), four hundred million Saudi Riyals, divided into (40,000,000), forty million normal shares, with a nominal value of ten Saudi Riyals (SAR 10) per share.

The Company's capital has been reduced to two hundred and sixty-five million Saudi riyals (SAR 265,000,000), divided into twenty-six million five hundred thousand (26,500,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share that were paid in full, after obtaining the required statutory approvals as well as the approval of the Extraordinary General Assembly meeting held on 28/10/1437 AH corresponding to 08/02/2016.

On 16/04/1440H (23/12/2018), the Board recommended a capital increase by issuing rights shares to increase the Company's capital from two hundred sixty-five million (265,000,000) Saudi riyals to five hundred thirty million (530,000,000) Saudi riyals, an increase of 100%.

On 26/04/1444H (20/11/2022), an EGM was held in which the Company obtained the approval of the Company's shareholders of the Board's recommendation to increase the capital from two hundred sixty-five million (265,000,000) Saudi riyals to five hundred thirty million (530,000,000) Saudi riyals, an increase of 100%.

(22-b) Below are the names of the major shareholders whose shares are 5% or more in the Company's shares:

Name	Ownership	
	Beginning of year	End of year
Arabia Insurance Company (AIC) S.A.L (Holding Company) (Lebanon)	19.2%	19.2%
Jordan Insurance Company (JIC) PLC (Jordan)	9.19 %	9.19%
Arab Supply & Trading Company (ASTRA) - Saudi Arabia	5%	6.22%

(22-c) The provisions relating to the rights of shareholders contained in the Corporate Governance Regulations issued by the Capital Market Authority's Board have been complied with in relation to the general rights of shareholders and to facilitate the exercise of their rights and their access to information in addition to the rights related to the general assembly meeting.

(22-d) With regard to the rights of shareholders in dividends and the dividend policy, Article 46 of the company's articles of association stipulates the following: "The shareholder is entitled to his share in the profits in accordance with the decision of the General Assembly issued in this regard. The decision shows the due date and the date of distribution. Eligibility for dividends shall be for shareholders registered in the shareholders' records at the end of the day specified for maturity. The company informs the Capital Market Authority without delay of any decisions to distribute profits or recommend it, and the profits to be distributed to shareholders shall be paid at the place and dates determined by the Board of Directors, in accordance with the instructions issued by the competent authority, subject to the prior written approval of the Saudi Central Bank."

The company follows the cooperative insurance companies' control law and the applicable regulations, and the profits from investing the shareholders' funds are in accordance with the rules set by the Board of Directors.

The Company shall:

1. Set aside the prescribed zakat and income tax.
2. Set aside (20%) of the net profits to form a statutory reserve, and the Ordinary General Assembly meeting may stop this setting-aside when the total reserve reaches (100%) of the paid-up capital.
3. Ordinary General Assembly meeting, when determining the amount of profits per share, may decide to create other reserves, to the extent that it serves the interest of the company or guarantees the distribution of fixed profits as possible to the shareholders.

(22-e) There is no decision to distribute profits for the financial year 2022 due to the existence of a balance of accumulated losses

(22-f) There are no arrangements or agreements under which one of the company's shareholders has waived any rights to profits.

(22-g) The company has not been notified of any interest in the class of voting shares belonging to persons other than members of the company's board of directors, senior executives and their relatives.

(22-h) There are no convertible debt instruments, any contractual securities, subscription right notes, or similar rights issued or granted by the company during the financial year 2022.

(22-i) There are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.

(22-j) There is no refund, purchase or cancellation by the Company of any recoverable debt instruments.

(22-k) There are no treasury shares held by the company.

23. Actions taken by the Board of Directors to inform its members, especially non-executives, of the shareholders' proposals and comments regarding the company and its performance

Within the company's organizational structure, there is a shareholder affairs section that is concerned with receiving the proposals, observations and inquiries of the shareholders by phone or other means of communication shown on the financial market website, TADAWUL, and the company website, and the board is notified about it, and shareholder proposals and observations are received through the company general assembly meetings and presented to the nearest meeting for the board (if any).

24. A statement of the dates of the general assemblies of shareholders held during the year 2022 and the names of the Board members attending these assemblies

SN	Member Name	Ordinary General Assembly meeting held on 28/11/1443 AH corresponding to 27/06/2022	Extraordinary General Assembly meeting held on 27/04/1444 AH corresponding to 20/11/2022
1	Abdulaziz Abdulhadi Al Judee Al Qahtani	apologized for attending the meeting	apologized for attending the meeting
2	Muhammad bin Ibrahim Al Mangour	Attended	Attended
3	Abdulaziz bin Saleh Al Omair	Attended	Attended
4	Abdulrahman bin Muhammad Al Angari	Attended	Attended
5	Ghassan Ibrahim Akeel	Attended	Attended
6	Othman (Mohammed Ali) Othman Bdeir	apologized for attending the meeting	Attended
7	Munir Boutros Ibrahim Muasher	Attended	Attended

25. The number of the Company's requests for shareholders' records during 2022, the dates of those requests and their reasons

Request Date	Request Reason	Request Date	Request Reason
11/01/2022	Shareholder information update	18/07/2022	Shareholder information update
13/01/2022	Shareholder information update	21/07/2022	Shareholder information update
08/02/2022	Shareholder information update	31/07/2022	Shareholder information update
17/02/2022	Shareholder information update	30/08/2022	Shareholder information update
07/03/2022	Shareholder information update	29/09/2022	Shareholder information update
26/04/2022	Shareholder information update	31/10/2022	Shareholder information update
16/05/2022	Shareholder information update	17/11/2022	Shareholder information update
22/05/2022	Shareholder information update	20/11/2022	Extraordinary General Assembly meeting
26/05/2022	Shareholder information update	24/11/2022	Shareholder information update
06/06/2022	Shareholder information update	04/12/2022	Shareholder information update
09/06/2022	Shareholder information update	20/12/2022	Shareholder information update
23/06/2022	Ordinary General Assembly meeting	27/12/2022	Shareholder information update

26. Corporate Governance Regulations

The Board of Directors confirms that adherence to corporate governance is a key component of the Company's success which requires the application of a clearly defined transparency and disclosure framework for the benefit of the shareholders. The Company believes that governance is one of the most important frameworks that guarantee effective leadership, management and business control policies and systems for the Company.

The Company currently has in place internal governance regulations and it also complies with the provisions of the Corporate Governance Regulations issued by the Board of the Capital Market Authority and the Insurance Corporate Governance Regulations issued by SAMA.

In 2017, the General Assembly approved the Audit Committee Charter, Nomination and Remuneration Committee Charter and updated Board Membership Policies, Criteria and Procedures pursuant to the provisions of CMA's Corporate Governance Regulations.

Moreover, an OGM dated 28/11/1443H (27/06/2022) approved an amendment to the Company's internal governance regulations. The Company also has in place internal regulations governing the functioning thereof which the Board of Directors reviews annually and updates whenever required.

In view of the issuance of the new Companies Law which came into force as of 19/01/2023, the Company will review its internal governance regulations and policies, propose amendments to provisions and articles affected by the entry into force of the Companies Law and present the same to the General Assembly.

The provisions of the Insurance Companies Governance Regulations, the Company's Internal Governance Regulations, and the provisions of the Corporate Governance Regulations issued by the Capital Market Authority have been implemented with the exception of the following:

Article No>	Provision of article/section	Reasons for non-compliance
14/H	Evaluation: The Board of Directors makes the necessary arrangements to obtain an evaluation of its performance by a competent third party every three years.	The evaluation is performed internally.
93	Five senior executives who received the highest rewards from the Company, including the CEO and the CFO	The Company shall disclose salaries and bonuses in aggregate.
95	Formation of the Corporate Governance Committee (Guiding Article) In the event that the Board of Directors forms a committee specialized in corporate governance, it must delegate thereto the powers established in accordance with Article 94 of these bylaw, and this committee must follow up on any issues regarding governance applications, and provide Board of Directors, at least annually, with the reports and recommendations reached.	The Board of Directors reviews any issues related to the governance applications, and the Internal Audit and Compliance Department provides Audit Committee with its observations on the implementation of the company's governance, which in turn submits them to the Board of Directors.

27. Acknowledgments:

The company acknowledges that:

- Account records were prepared in a correct manner.
- Internal control system was prepared on a sound basis and was effectively implemented.
- There is no doubt regarding the ability of the company to continue its activity.
- The company does not have any loans.
- The absence of businesses or contracts in which the company was a party, and which has a substantial interest for the CEO, the financial manager, or any person related to any of them, with the exception mentioned in Paragraph No. (10) of this report.
- There are no qualifications from the external auditors' in their report on annual financial statements.
- There is no business that competes with the company or any of its activities practiced or being in practice by any member of the Board of Directors.

In conclusion, the Board of Directors takes this opportunity to extend sincere thanks and appreciation to the esteemed customers, shareholders and to all employees of the AICC for their support to the company. The Board of Directors also thanks the Saudi Central Bank, the Capital Market Authority, the Council of Health Insurance and the Ministry of Commerce for their continuous support and for everything that would develop insurance sector in Saudi Arabia.

END OF REPORT

Board of Directors



Amendment of Audit Committee Regulation

Current Article	Article After Amendment
NA	<p>Purpose: These regulations have been prepared in accordance with relevant legal requirements to ensure regulating the Audit Committee's work in accordance with the best practices. They serve as a work guide for the committee, outlining the rules for selecting its members, its working methods, responsibilities, and obligations.</p>
<p>Definitions:</p> <p>The following terms and expressions, wherever they appear in these regulations, shall have the meanings specified beside each unless the context otherwise requires:</p> <p>AICC: Arabia Insurance Cooperative Company.</p> <p>General Assembly: The Shareholders General Assembly of Arabia Insurance Cooperative Company.</p> <p>Regulations: The working regulations of the Audit Committee in Arabia Insurance Cooperative Company.</p> <p>Board of Directors: The Board of Directors of Arabia Insurance Cooperative Company.</p> <p>Audit Committee/The Committee: An independent committee directly linked to AICC's board of directors. It shall be deemed liable for monitoring the performance and application of AICC's internal control systems, ensuring the efficiency and effectiveness of the systems,</p>	<p>Article One: Definitions:</p> <p>The following terms and expressions, wherever they appear in these regulations, shall have the meanings specified beside each unless the context otherwise requires:</p> <p>AICC: Arabia Insurance Cooperative Company.</p> <p>General Assembly: The Shareholders General Assembly of Arabia Insurance Cooperative Company.</p> <p>Regulations: The working regulations of the Audit Committee in Arabia Insurance Cooperative Company.</p> <p>Board of Directors: The Board of Directors of Arabia Insurance Cooperative Company.</p> <p>Audit Committee/The Committee: An independent committee directly linked to AICC's board of directors. It shall be deemed liable for monitoring the performance and application of AICC's internal control systems, ensuring the efficiency and effectiveness of the systems,</p>

Amendment of Audit Committee Regulation

<p>verifying the implementation of internal control-related decisions, and ensuring compliance with the Cooperative Insurance Companies Monitoring System, its Executive Regulations, and other relevant systems, regulations, and instructions.</p> <p>Senior Management: The Managing Director, the CEO, the General Manager, their deputies, the CFO, the heads of major departments, and those responsible for risk management, internal audit, and compliance functions in AICC, and any other officials specified by regulatory authorities.</p> <p>SAMA: Saudi Arabian Monetary Authority.</p> <p>Regulations of Audit Committees: The regulations of audit committees Regulatory Oversight Department or Compliance Department: An independent department reporting administratively to the CEO and functionally to the Audit Committee. It shall be deemed liable for ensuring AICC's compliance with the regulations and instructions issued by SAMA and other regulatory authorities. It reports to the Audit Committee any violation of regulations and instructions in AICC. This definition applies to the regulatory supervisor (compliance officer).</p> <p>Internal Audit Department: An independent management department that is administratively linked to the audit committee and the CEO. It shall be deemed liable for developing AICC's audit and review business plan, monitoring AICC's performance through auditing, examining AICC's operations to ensure that there are no financial or non-financial irregularities in AICC's internal systems, ensuring compliance with internal control systems, ensuring the efficiency and effectiveness of those systems, checking the implementation of internal control</p>	<p>verifying the implementation of internal control-related decisions, and ensuring compliance with the Cooperative Insurance Companies Monitoring System, its Executive Regulations, and other relevant systems, regulations, and instructions.</p> <p>Senior Management: The Managing Director, the CEO, the General Manager, their deputies, the CFO, the heads of major departments, and those responsible for risk management, internal audit, and compliance functions in AICC, and any other officials specified by regulatory authorities.</p> <p>SAMA: The Saudi Central Bank.</p> <p>Regulations of Audit Committees: The regulations of audit committees in insurance and/or reinsurance companies issued by SAMA.</p> <p>Regulatory Oversight Department or Compliance Department: An independent department reporting administratively to the CEO and functionally to the Audit Committee. It shall be deemed liable for ensuring AICC's compliance with the regulations and instructions issued by SAMA and other regulatory authorities. It reports to the Audit Committee any violation of regulations and instructions in AICC. This definition applies to the regulatory supervisor (compliance officer).</p> <p>Internal Audit Department: An independent management department that is administratively linked to the audit committee and the CEO. It shall be deemed liable for developing AICC's audit and review business plan, monitoring AICC's performance through auditing, examining AICC's operations to ensure that there are no financial or non-financial irregularities in AICC's internal systems, ensuring compliance with internal control systems, ensuring the efficiency and effectiveness of</p>
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Amendment of Audit Committee Regulation

<p>decisions, and submitting its reports to the audit committee. This definition applies to internal auditors.</p>	<p>those systems, checking the implementation of internal control decisions, and submitting its reports to the audit committee. This definition applies to internal auditors.</p>
<p><u>Article One: Committee Formation</u></p> <p>(a) The Audit Committee shall be an independent committee that is directly linked to the company's BOD and is liable for monitoring the performance and application of the company's internal control regulations, ensuring the efficiency and effectiveness of the regulations, verifying the implementation of decisions related to internal control, and ensuring compliance with the cooperative insurance companies' control system and its executive regulations. Laws, regulations and other relevant instructions in addition to the terms of reference set forth later in this chapter.</p> <p>(b) The BOD shall obtain a written NOC from the Saudi Central Bank to select the members of the Audit Committee, and the Audit Committee shall be formed by a resolution passed by the Ordinary General Assembly, provided that the number of its members is not less than three and not more than five of the independent BOD members, and that most of them shall be from outside the BOD, whether shareholders or others. The resolution shall specify the tasks of the committee, the controls for its work, and the remuneration of its members.</p> <p>(c) The member of the BOD nominated for membership in the Committee shall be independent.</p> <p>(d) A member of the audit committee shall not be a member of the BOD or the audit committee of any other company operating in the insurance sector in Saudi Arabia.</p> <p>(e) The committee member shall not be one of the company's executive directors, employees, advisors, BOD members, directors, employees, advisors or employees of any of the parties related to the company, including but not limited to:</p> <ol style="list-style-type: none"> 1. Main shareholders or founders. 	<p><u>Article Two: Committee Formation</u></p> <p>(a) The audit committee is formed by a resolution of the board of directors, after obtaining a no-objection from the Saudi Central Bank, provided that the number of its members is not less than three and not more than five, and the majority thereof are from outside the board of directors, whether they are shareholders or others. The decision shall specify the committee's tasks, operating procedures, and members' remuneration.</p> <p>(b) A board member nominated for committee membership shall be independent.</p> <p>(c) A member of the audit committee shall not be a member of the board of directors or audit committee of any other insurance company operating in the Kingdom of Saudi Arabia, nor may he/she serve on audit committees of more than five listed companies at the same time.</p> <p>(d) The Chairman of the Board of Directors may not be a member or chairman of the audit committee.</p> <p>(e) A member of the committee shall not be an executive director, employee, consultant, or any member of the board of directors, managers, employees, consultants, or affiliates of any party related to AICC, including, but not limited to:</p> <ol style="list-style-type: none"> 1. Major shareholders or founders. 2. External auditors 3. Suppliers. 4. Company clients. 5. Legal persons who have a financial, commercial, or first-degree relationship with AICC's board of directors or executive employees.

Amendment of Audit Committee Regulation

<p>2. External auditors 3. Suppliers. 4. Company clients. 5. Legal persons who have a financial or commercial relationship or first-degree kinship with the company's BOD or the company's executive employees. A person who worked during the past two years within executive or financial management of the company, or with the company's auditor, shall have no right to be a member of the audit committee. (F) The member of the audit committee shall have reasonable knowledge of the financial and accounting rules, and it is preferable that he has an appropriate scientific qualification in this field. The BOD shall ensure that members of the Audit Committee are qualified to fulfill their responsibilities, and at least two members of the Committee, including the Chairman of the Committee, shall have recent and relevant experience in the field of accounting and financial management.</p>	<p>(f) Anyone who has worked in AICC's executive or financial management, or with AICC's auditors in the past two years, may not serve as an audit committee member. (g) The audit committee member shall have a reasonable understanding of financial and accounting rules, and it is preferable that they have suitable academic qualifications in this field. The board of directors shall ensure that the audit committee members are qualified to fulfill their responsibilities, and at least two members of the committee, including the chairman, shall have recent and relevant expertise in accounting and financial management.</p>
<p><u>Article Four: Appointment of Chairman and Secretary of the Committee</u> (a) The BOD shall appoint one of the members of the Audit Committee as its chairman after obtaining a written no-objection SAMA. It may also choose from among its members or from among the company's employees a secretary for the committee who shall prepare the minutes of its meetings and schedules its dates in coordination with the committee chair, and shall undertake administrative work, documenting and keeping the minutes of the Audit Committee's meetings in a special record therefor. The Secretary of the Audit Committee shall not be entitled to be a secretary of any other committee of the BOD. (b) The Chairman of the BOD shall not be entitled to be a member or chair of the Audit Committee.</p>	<p><u>Article Three: Appointment of Chairman and Secretary of the Committee</u> <u>First: Chairman of the Committee</u> (a) The board of directors appoints one of the audit committee members as its chairman, after obtaining a no-objection from the Saudi Central Bank. (b) The chairman of the audit committee may not have any kinship or financial or business relationship with any board member. (c) The chairman may not have a relationship with the senior management of AICC that affects their independence. <u>Second: Secretary of the Committee:</u> (a) The committee may choose from amongst its members or company employees, a secretary who records its meetings and schedules its meetings in coordination with the chairman. They shall be deemed</p>

Amendment of Audit Committee Regulation

<p>(c) The Chairman of the Audit Committee shall not be entitled to have a kinship, financial or commercial relationship with any member of the BOD.</p> <p>(d) The chairman of the committee shall not be entitled to have a relationship with the company's senior management that may affect his independence.</p>	<p>liable for administrative work, documenting and keeping records of the audit committee meetings in a special register for that purpose.</p> <p>(b) The secretary of the audit committee may not be the secretary of any other committee of the board.</p>
<p><u>Article Five: Invitation to Meetings, Quorum, and Committee Decisions</u></p> <p>(a) The committee meets at the invitation of its chairman, and the committee meeting is not valid unless a majority of its members attend. A committee member may not delegate another to attend committee meetings on their behalf.</p> <p>(b) The audit committee shall hold at least six meetings per year, including the annual meeting with the board of directors. The audit committee may hold other meetings in response to any of the following, for examples, but not limited to:</p> <ol style="list-style-type: none"> (1) Request from the chairman of the board of directors. (2) Meetings requested by the external or internal auditor, compliance officer, or actuarial expert due to the need for such meetings. (3) Meetings on other issues such as: <ul style="list-style-type: none"> • Financial and auditing issues. • Regulatory issues. • Conflict of interest. • Professional and ethical conduct rules. <p>(c) The audit committee may invite anyone from within or outside AICC to attend its meetings if the need arises.</p> <p>(d) Decisions of the committee shall be made by a majority of the attending members. In the case of a tie, the committee chairman's vote shall be decisive. It is not permitted to vote on behalf of or as a proxy for any committee member. The committee's deliberations shall be</p>	<p><u>Article Four: Invitation to Meetings, Quorum, and Committee Decisions</u></p> <p>(a) The committee meets at the invitation of its chairman, and the committee meeting is not valid unless a majority of its members attend. A committee member may not delegate another to attend committee meetings on their behalf.</p> <p>(b) The audit committee shall hold at least six meetings per year, including the annual meeting with the board of directors. The audit committee may hold other meetings in response to any of the following, for examples, but not limited to:</p> <ol style="list-style-type: none"> (1) Request from the chairman of the board of directors. (2) Meetings requested by the external or internal auditor, compliance officer, or actuarial expert due to the need for such meetings. (3) Meetings on other issues such as: <ul style="list-style-type: none"> • Financial and auditing issues. • Regulatory issues. • Conflict of interest. • Professional and ethical conduct rules. <p>(c) The audit committee may invite anyone from within or outside AICC to attend its meetings if the need arises.</p> <p>(d) Decisions of the committee shall be made by a majority of the attending members. In the case of a tie, the committee chairman's vote shall be decisive. It is not permitted to vote on behalf of or as a proxy for any committee member. The committee's deliberations shall be</p>

Amendment of Audit Committee Regulation

<p>recorded by its secretary to include the views of all parties in the minutes of the meeting, and its decisions shall be recorded in minutes signed by the committee chairman and secretary.</p>	<p>recorded by its secretary to include the views of all parties in the minutes of the meeting, and its decisions shall be recorded in minutes signed by the committee chairman and secretary.</p>
<p><u>Article Six: Committee Powers</u> The audit committee may communicate directly with the board of directors, senior management in AICC, all employees, committees, legal advisers, internal and external auditors at AICC's headquarters and/or branches, as well as other parties related to AICC. The audit committee shall be deemed liable for monitoring AICC's operations. To do so, the committee may access AICC's records and documents and request any clarification or statement from the board of directors or executive management. the committee may also request that AICC's general meeting be convened by the board of directors if the board is hindering its work or if AICC has suffered significant damage or losses.</p>	<p><u>Article Five: Committee Powers</u> The audit committee may communicate directly with the board of directors, senior management in AICC, all employees, committees, legal advisers, internal and external auditors at AICC's headquarters and/or branches, as well as other parties related to AICC. The audit committee shall be deemed liable for monitoring AICC's operations. To do so, the committee may access AICC's records and documents and request any clarification or statement from the board of directors or executive management. the committee may also request that AICC's general meeting be convened by the board of directors if the board is hindering its work or if AICC has suffered significant damage or losses.</p>
<p><u>Article Seven: Committee Responsibilities</u> The audit committee shall be deemed liable for monitoring AICC's operations and verifying the integrity and fairness of financial reports, financial statements, and internal control systems. The committee's tasks include, in particular: (a) Financial Reports: 1) Examining AICC's annual and preliminary financial statements before they are approved and submitted to the board of directors, and making recommendations regarding them to ensure that they do not contain any materially false statements or information, and that no material statements, information or amounts have been deleted therefrom that would make the financial statements misleading, to ensure their integrity and transparency. 2) Expressing the professional opinion - upon the request of the Board of Directors - on whether the Board's report and AICC's financial statements are fair, balanced, understandable, and</p>	<p><u>Article Six: Committee Responsibilities</u> The audit committee shall be deemed liable for monitoring AICC's operations and verifying the integrity and fairness of financial reports, financial statements, and internal control systems. The committee's tasks include, in particular: (a) Financial Reports: 8) Examining AICC's annual and preliminary financial statements before they are approved and submitted to the board of directors, and making recommendations regarding them to ensure that they do not contain any materially false statements or information, and that no material statements, information or amounts have been deleted therefrom that would make the financial statements misleading, to ensure their integrity and transparency. 9) Expressing the professional opinion - upon the request of the Board of Directors - on whether the Board's report and AICC's financial statements are fair, balanced, understandable, and</p>

Amendment of Audit Committee Regulation

<p>include the information that enables shareholders and investors to assess AICC's financial position, performance, business model, and strategies.</p> <ol style="list-style-type: none"> 3) Examining any significant or unusual issues included in the financial reports. 4) Investigating in detail any issues raised by AICC's CFO or their delegate, the compliance officer, or the auditors. 5) Verifying the accounting estimates in the essential matters included in the financial reports. 6) Examining the accounting policies followed by AICC, expressing an opinion, and recommending to the Board of Directors thereon, taking into consideration the suitability of the accounting policies for the nature of AICC's business, their impact on AICC's financial position, and the results of its operations. 7) Discussing the annual and interim financial statements with the external auditors and senior management of AICC before issuing them. <p>(b) Internal Audit:</p> <ol style="list-style-type: none"> 1) Supervising and overseeing the management of the internal audit in AICC to verify its effectiveness in carrying out the tasks assigned thereto by the Board of Directors. 2) Examining the internal control system and preparing a written report on its opinion and recommendations regarding the adequacy of the internal control system in AICC, and any other work it has done within its scope. The Board of Directors shall deposit sufficient copies of this report at AICC's headquarters at least ten days before the General Meeting to provide copies to any interested shareholders. The report is read during the meeting. 3) Examining AICC's risk management systems and evaluating the effectiveness of AICC's assessment of the significant risks it may 	<p>include the information that enables shareholders and investors to assess AICC's financial position, performance, business model, and strategies.</p> <ol style="list-style-type: none"> 10) Examining any significant or unusual issues included in the financial reports. 11) Investigating in detail any issues raised by AICC's CFO or their delegate, the compliance officer, or the auditors. 12) Verifying the accounting estimates in the essential matters included in the financial reports. 13) Examining the accounting policies followed by AICC, expressing an opinion, and recommending to the Board of Directors thereon, taking into consideration the suitability of the accounting policies for the nature of AICC's business, their impact on AICC's financial position, and the results of its operations. 14) Discussing the annual and interim financial statements with the external auditors and senior management of AICC before issuing them. <p>(b) Internal Audit:</p> <ol style="list-style-type: none"> 11) Supervising and overseeing the management of the internal audit in AICC to verify its effectiveness in carrying out the tasks assigned thereto by the Board of Directors. 12) Examining the internal control system and preparing a written report on its opinion and recommendations regarding the adequacy of the internal control system in AICC, and any other work it has done within its scope. The Board of Directors shall deposit sufficient copies of this report at AICC's headquarters at least ten days before the General Meeting to provide copies to any interested shareholders. The report is read during the meeting. 13) Examining AICC's risk management systems and evaluating the effectiveness of AICC's assessment of the significant risks it may
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Amendment of Audit Committee Regulation

<p>face and the steps taken by AICC's management to monitor and address these risks.</p> <ol style="list-style-type: none"> 4) Examining the audit plan for the internal auditors and commenting thereon. 5) Examining the internal audit reports and following up on the corrective actions for the observations included in them, and making recommendations thereon. 6) Ensuring the independence of the board of directors and senior management of AICC. 7) Ensuring the independence of the internal audit or internal auditor in performing their duties, and verifying that there are no restrictions on their work or anything that could negatively affect their work. 8) Appointing and dismissing the Director of Internal Audit or Internal Auditor after obtaining the written no-objection of SAMA. 9) Determining the monthly salary, incentive bonus, and other allowances for the internal audit or internal auditor management in accordance with AICC's internal regulations approved by the Board. 10) Examining the expert advisory reports and submit recommendations to the Board of Directors. <p>(c) Regulatory Oversight and Compliance:</p> <ol style="list-style-type: none"> 1) Examining and approving the compliance plan and monitoring its implementation. 2) Verifying AICC's compliance with regulations, policies, and instructions related to AICC, and ensuring that AICC does not violate any thereof. 3) Ensuring AICC's compliance with the mandatory recommendations and recommendations of the expert advisory when required by regulations and instructions issued by SAMA and relevant supervisory and regulatory authorities. 	<p>face and the steps taken by AICC's management to monitor and address these risks.</p> <ol style="list-style-type: none"> 14) Examining the audit plan for the internal auditors and commenting thereon. 15) Examining the internal audit reports and following up on the corrective actions for the observations included in them, and making recommendations thereon. 16) Ensuring the independence of the board of directors and senior management of AICC. 17) Ensuring the independence of the internal audit or internal auditor in performing their duties, and verifying that there are no restrictions on their work or anything that could negatively affect their work. 18) Appointing and dismissing the Director of Internal Audit or Internal Auditor after obtaining the written no-objection of SAMA. 19) Determining the monthly salary, incentive bonus, and other allowances for the internal audit or internal auditor management in accordance with AICC's internal regulations approved by the Board. 20) Examining the expert advisory reports and submit recommendations to the Board of Directors. <p>(c) Regulatory Oversight and Compliance:</p> <ol style="list-style-type: none"> 11) Examining and approving the compliance plan and monitoring its implementation. 12) Verifying AICC's compliance with regulations, policies, and instructions related to AICC, and ensuring that AICC does not violate any thereof. 13) Ensuring AICC's compliance with the mandatory recommendations and recommendations of the expert advisory when required by regulations and instructions issued by SAMA and relevant supervisory and regulatory authorities.
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Amendment of Audit Committee Regulation

<ol style="list-style-type: none"> 4) Reviewing and monitoring reports issued by relevant regulatory and supervisory authorities and submitting recommendations to the Board of Directors. 5) Reviewing contracts and transactions proposed to be carried out by AICC with related parties and providing opinions thereon to the Board of Directors. 6) Appointing and dismissing the Compliance Manager or Compliance Officer after obtaining the written no-objection of SAMA. 7) Ensuring the independence of the Compliance Department or Compliance Officer in performing their duties and verifying that there are no restrictions on their work or anything that could negatively affect their work. 8) Determining the monthly salary, incentive bonus, and other allowances for the Compliance Department or Compliance Officer in accordance with AICC's internal regulations approved by the Board. 9) Monitoring important legal actions filed by or against AICC with the Compliance Department or Compliance Officer and submitting reports thereon to the Board of Directors. 10) Raising any issues seen as requiring action to the Board of Directors and providing recommendations for the actions that need to be taken. 	<ol style="list-style-type: none"> 14) Reviewing and monitoring reports issued by relevant regulatory and supervisory authorities and submitting recommendations to the Board of Directors. 15) Reviewing contracts and transactions proposed to be carried out by AICC with related parties and providing opinions thereon to the Board of Directors. 16) Appointing and dismissing the Compliance Manager or Compliance Officer after obtaining the written no-objection of SAMA. 17) Ensuring the independence of the Compliance Department or Compliance Officer in performing their duties and verifying that there are no restrictions on their work or anything that could negatively affect their work. 18) Determining the monthly salary, incentive bonus, and other allowances for the Compliance Department or Compliance Officer in accordance with AICC's internal regulations approved by the Board. 19) Monitoring important legal actions filed by or against AICC with the Compliance Department or Compliance Officer and submitting reports thereon to the Board of Directors. 20) Raising any issues seen as requiring action to the Board of Directors and providing recommendations for the actions that need to be taken.
<p>(d) Auditor:</p> <ol style="list-style-type: none"> 1) Recommending to the Board of Directors the nomination, removal, fee determination, and performance evaluation of auditors after verifying their independence, reviewing the scope of their work, and the terms of their engagement. This includes ensuring that the nominated external auditors have the 	<p>(d) Auditor:</p> <ol style="list-style-type: none"> 1) Recommending to the Board of Directors the nomination, removal, fee determination, and performance evaluation of auditors after verifying their independence, reviewing the scope of their work, and the terms of their engagement. This includes ensuring that the nominated external auditors have the

Amendment of Audit Committee Regulation

<p>necessary expertise to audit the operations of insurance and/or reinsurance companies.</p> <p>2) Ensuring that the external audit scope covers several matters, including but not limited to:</p> <p>(a) Evaluating the internal control system, including the accounting system, from both a theoretical and practical perspective.</p> <p>(b) Conducting tests on a selected sample of AICC's financial transactions.</p> <p>(c) Contacting AICC's creditors and debtors or others to confirm balances or for other purposes.</p> <p>(d) Monitoring inventory operations, including those carried out in company branches.</p> <p>(e) Complying with the approved auditing standards in the Kingdom to verify that the financial statements as a whole:</p> <ol style="list-style-type: none"> 1. Reflect the financial position of AICC and its results of operations for the financial year ending on that date, in light of the information contained in the financial statements and in accordance with the generally accepted accounting principles appropriate to AICC's circumstances. 2. Comply with the requirements of the Companies System, AICC's Articles of Association, and all relevant regulations regarding the preparation and presentation of financial statements. 	<p>necessary expertise to audit the operations of insurance and/or reinsurance companies.</p> <p>2) Ensuring that the external audit scope covers several matters, including but not limited to:</p> <p>(a) Evaluating the internal control system, including the accounting system, from both a theoretical and practical perspective.</p> <p>(b) Conducting tests on a selected sample of AICC's financial transactions.</p> <p>(c) Contacting AICC's creditors and debtors or others to confirm balances or for other purposes.</p> <p>(d) Monitoring inventory operations, including those carried out in company branches.</p> <p>(e) Complying with the approved auditing standards in the Kingdom to verify that the financial statements as a whole:</p> <ol style="list-style-type: none"> 3. Reflect the financial position of AICC and its results of operations for the financial year ending on that date, in light of the information contained in the financial statements and in accordance with the generally accepted accounting principles appropriate to AICC's circumstances. 4. Comply with the requirements of the Companies System, AICC's Articles of Association, and all relevant regulations regarding the preparation and presentation of financial statements.
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Amendment of Audit Committee Regulation

<p>(f) Informing AICC's officials in writing of any observations made by the auditor during the review.</p> <ol style="list-style-type: none"> 3) The Audit Committee is committed to following up on the work of the legal accountants and approving any work outside the scope of the audit that they are tasked with during the course of the audit. 4) The Audit Committee is committed to verifying the independence, objectivity, and fairness of the auditors and the effectiveness of their work, taking into consideration relevant rules and standards. 5) The Audit Committee is committed to acting as a liaison between the external auditors and the board of directors, enabling the external auditors to carry out their work independently of any restrictions or influences from the board of directors or company management. 6) Reviewing and examining the auditors' audit plan and work, verifying that they have not provided technical or administrative work beyond the scope of the audit, and expressing opinions and comments thereon. 7) Examining the legal accountant's remarks on financial statements and reports and following up on any actions taken. 8) Answering queries from AICC's auditors. 9) Ensuring the independence of the external auditor of AICC and their commitment to impartiality and objectivity when providing evidence and clues for auditing and when forming an opinion on the financial statements. 10) Examining the scope and method of operation of the external auditor and the extent of coordination with AICC's internal audit management and avoiding duplication of tasks therebetween. 11) Ensuring the coordination of the external audit work in the case of more than one external auditor for AICC. 	<p>(f) Informing AICC's officials in writing of any observations made by the auditor during the review.</p> <ol style="list-style-type: none"> 3) The Audit Committee is committed to following up on the work of the legal accountants and approving any work outside the scope of the audit that they are tasked with during the course of the audit. 4) The Audit Committee is committed to verifying the independence, objectivity, and fairness of the auditors and the effectiveness of their work, taking into consideration relevant rules and standards. 5) The Audit Committee is committed to acting as a liaison between the external auditors and the board of directors, enabling the external auditors to carry out their work independently of any restrictions or influences from the board of directors or company management. 6) Reviewing and examining the auditors' audit plan and work, verifying that they have not provided technical or administrative work beyond the scope of the audit, and expressing opinions and comments thereon. 7) Examining the legal accountant's remarks on financial statements and reports and following up on any actions taken. 8) Answering queries from AICC's auditors. 9) Ensuring the independence of the external auditor of AICC and their commitment to impartiality and objectivity when providing evidence and clues for auditing and when forming an opinion on the financial statements. 10) Examining the scope and method of operation of the external auditor and the extent of coordination with AICC's internal audit management and avoiding duplication of tasks therebetween. 11) Ensuring the coordination of the external audit work in the case of more than one external auditor for AICC.
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Amendment of Audit Committee Regulation

<p>12) Meeting with the external auditor to discuss AICC's financial statements and ensuring they reflect AICC's fair financial position and any comments they may have thereon.</p> <p>13) Reviewing the financial disclosure provided by company management to the external auditor and expressing opinions thereon to the board of directors.</p> <p>14) Reviewing the performance of the external auditor and recommending to the board to reappoint them or terminate their contract.</p> <p>15) Considering any differences of opinion that may arise between the external auditor and company management.</p>	<p>12) Meeting with the external auditor to discuss AICC's financial statements and ensuring they reflect AICC's fair financial position and any comments they may have thereon.</p> <p>13) Reviewing the financial disclosure provided by company management to the external auditor and expressing opinions thereon to the board of directors.</p> <p>14) Reviewing the performance of the external auditor and recommending to the board to reappoint them or terminate their contract.</p> <p>15) Considering any differences of opinion that may arise between the external auditor and company management.</p>
<p><u>Article Nine: Appointment of Company Auditors</u></p> <p>A) AICC's management invites the legal accountants who have been nominated by the audit committee. This invitation shall include the scope of the task referred to in paragraph (d) of Article Six, as well as the terms and obligations that AICC deems necessary to complete the audit process. The Board of Directors shall enable these accountants to access the data and explanations they request in order to understand the size and nature of AICC's operations. Each accountant shall submit a proposal for reviewing AICC's accounts and a summary of his office, including the following:</p> <ol style="list-style-type: none"> 1) The academic and professional qualifications of the team members who will conduct the review, their names, and nationalities. 2) An explanation of the quality control of work in his office. 3) The entities he intends to consult for the purpose of auditing AICC's accounts (if any), the aspects in which they will participate, the qualifications and experiences of the individuals who will be involved in this matter. 4) The office's previous experience in auditing similar companies. 	<p><u>Article Seven: Appointment of Company Auditors</u></p> <p>(A) AICC's management invites the legal accountants who have been nominated by the audit committee. This invitation shall include the scope of the task referred to in paragraph (d) of Article Six, as well as the terms and obligations that AICC deems necessary to complete the audit process. The Board of Directors shall enable these accountants to access the data and explanations they request in order to understand the size and nature of AICC's operations. Each accountant shall submit a proposal for reviewing AICC's accounts and a summary of his office, including the following:</p> <ol style="list-style-type: none"> 1) The academic and professional qualifications of the team members who will conduct the review, their names, and nationalities. 2) An explanation of the quality control of work in his office. 3) The entities he intends to consult for the purpose of auditing AICC's accounts (if any), the aspects in which they will participate, the qualifications and experiences of the individuals who will be involved in this matter. 4) The office's previous experience in auditing similar companies.

Amendment of Audit Committee Regulation

<p>5) The size and statement of the branches affiliated with the office and the number of technical employees working in the office.</p> <p>6) The number of hours assigned to each member of the team (partner, audit manager, etc.).</p> <p>7) The kinship between the legal accountant or audit team and the members of the board of directors and/or senior executive management (if any) and the work relationship between the legal accountant and AICC or any member of its board of directors (if any).</p> <p>8) The expected date of preparing the report on AICC's financial statements.</p> <p>9) Audit fees.</p> <p>(b) AICC's management prepares a comparative table of the offers submitted by legal accountants according to the data referred to in Article 23 and submits it to the audit committee along with the offers and data submitted by legal accountants.</p> <p>(c) The audit committee reviews the comparative table, the offers submitted by legal accountants, and the accompanying data. It may invite the audit team of each office separately for a meeting to discuss their offer.</p> <p>(d) The committee prepares a letter summarizing its analysis of the submitted offers and presents it to the board of directors. It recommends one or more legal accountants to audit AICC's accounts and specifies the basis on which the nomination was made.</p> <p>(e) The board of directors presents to the ordinary general assembly the recommendation submitted thereto by the audit committee, stating the names of the legal accountants who submitted their offers, and then nominating them by the audit committee to audit AICC's accounts. The statement shall also include the audit fees and the basis on which the nomination was made, and the number of nominees shall not be less than two auditors.</p>	<p>5) The size and statement of the branches affiliated with the office and the number of technical employees working in the office.</p> <p>6) The number of hours assigned to each member of the team (partner, audit manager, etc.).</p> <p>7) The kinship between the legal accountant or audit team and the members of the board of directors and/or senior executive management (if any) and the work relationship between the legal accountant and AICC or any member of its board of directors (if any).</p> <p>8) The expected date of preparing the report on AICC's financial statements.</p> <p>9) Audit fees.</p> <p>(b) AICC's management prepares a comparative table of the offers submitted by legal accountants according to the data referred to in Article 23 and submits it to the audit committee along with the offers and data submitted by legal accountants.</p> <p>(c) The audit committee reviews the comparative table, the offers submitted by legal accountants, and the accompanying data. It may invite the audit team of each office separately for a meeting to discuss their offer.</p> <p>(d) The committee prepares a letter summarizing its analysis of the submitted offers and presents it to the board of directors. It recommends one or more legal accountants to audit AICC's accounts and specifies the basis on which the nomination was made.</p> <p>(e) The board of directors presents to the ordinary general assembly the recommendation submitted thereto by the audit committee, stating the names of the legal accountants who submitted their offers, and then nominating them by the audit committee to audit AICC's accounts. The statement shall also include the audit fees and the basis on which the nomination was made, and the number of nominees shall not be less than two auditors.</p>
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Amendment of Audit Committee Regulation

<p>(f) The ordinary general assembly appoints AICC's auditors based on the board's nomination, specifying their rewards and the duration of their work. It may reappoint them, and the general assembly may also change them at any time without violating their right to compensation if the change occurs at an inappropriate time or for an illegitimate reason.</p> <p>(g) The period of the audit conducted by the audit office shall not exceed five consecutive years, and a period of two years shall elapse before re-auditing.</p>	<p>(f) The ordinary general assembly appoints AICC's auditors based on the board's nomination, specifying their rewards and the duration of their work. It may reappoint them, and the general assembly may also change them at any time without violating their right to compensation if the change occurs at an inappropriate time or for an illegitimate reason.</p> <p>(g) The total working period of auditors shall not exceed seven consecutive or separate fiscal years, and the Authority may modify this period for any company or sector at its discretion. This period is recalculated after at least three consecutive fiscal years have elapsed since the end of the last fiscal year in which the audit was carried out.</p> <p>(h) The total working period of the partner supervising the audit work of the auditors shall not exceed seven consecutive or separate fiscal years, and the Authority may modify this period for any company or sector at its discretion. This period is recalculated after at least five consecutive fiscal years have elapsed since the end of the last fiscal year in which the partner supervised the audit of AICC's accounts.</p>
<p><u>Article Seven: Consulting with Advisory Bodies</u> The Audit Committee may seek the assistance of any external advisory body to perform specific tasks to assist it in its work.</p>	<p><u>Article Eight: Consulting with Advisory Bodies</u> The Audit Committee may seek the assistance of any external advisory body to perform specific tasks to assist it in its work.</p>
<p><u>Article Ten: Remuneration of Audit Committee Members:</u> (a) A member of the Audit Committee shall be entitled to an attendance bonus for each of its sessions. The value of the remuneration is determined according to a policy approved by the BOD, so that it is acceptable in comparison with the remuneration of members of the BOD. (b) The resolution passed by the company's ordinary general assembly regarding the formation of the audit committee shall include the value of its members' remuneration. (c) The Secretary of the Audit Committee shall be entitled to a remuneration for the accomplishment of his duties for each of its sessions, and the value of the remuneration shall be determined by a resolution issued by the BOD.</p>	<p><u>Article Nine: Remuneration of Audit Committee Members:</u> (a) An Audit Committee member is entitled to an attendance remuneration for each of its sessions. The value of the remunerations shall be determined by a policy approved by the Board of Directors, so as to be comparable to the remunerations of Board members. (b) The Board of Directors' decision to form an Audit Committee shall include the value of the members' remuneration. (c) The Audit Committee Secretary is entitled to a remuneration for completing its tasks for each of its sessions. The value of the remuneration shall be determined by a decision issued by the Board of Directors.</p>

Amendment of Audit Committee Regulation

<p><u>Article Two: Termination of Membership</u></p> <p>(a) The membership of the Audit Committee shall terminate with the expiry of the term of membership of the BOD, and the committee or one of its members may be renewed for another three years for one time only. The BOD may appoint new members to the Audit Committee in the event of electing a new BOD after obtaining a written NOC from the Saudi Central Bank, and the appointment shall be as per what is stated in Paragraph (a) of Article 45 of such Regulations. The membership of the Audit Committee also terminates immediately if there is any change that would violate the membership conditions contained in the regulations of audit committees in insurance and reinsurance companies issued by the Saudi Central Bank or any other laws, regulations, instructions or decisions issued by the competent authorities. A member of the Audit Committee shall inform the company in writing as soon as this change occurs. A member of the Audit Committee shall not be entitled to attend any meeting of the Committee held after the date of the change.</p> <p>(b) The BOD, after obtaining NOC from the Saudi Central Bank, may dismiss any of the members of the Audit Committee in the event of losing the conditions of membership or committing a violation of the provisions of the Regulations for Audit Committees in Insurance and Reinsurance Companies, the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, or the provisions of the Companies Law or the provisions of the regulations and other relevant instructions.</p> <p>(c) A member of the Audit Committee may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable to the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and</p>	<p><u>Article Ten: Termination of Membership</u></p> <p>(a) Membership in the Audit Committee expires at the end of the Board of Directors' membership term. The Committee may be renewed, or one of its members may be renewed for another three years only once. The Board of Directors may appoint new members to the Audit Committee in the event of a new Board of Directors being elected, subject to the written no-objection of SAMA. The membership of the Audit Committee shall also terminate immediately if any change occurs that would violate the membership conditions set forth in the Committees of Insurance and Reinsurance Companies' Regulations issued by the Saudi Central Bank, or any other regulations, instructions or decisions issued by the competent authorities. The Audit Committee member shall inform AICC in writing immediately upon the occurrence of this change. No Audit Committee member may attend any Committee meeting held after the date of the change.</p> <p>(b) The Board of Directors may, after obtaining the Saudi Central Bank's no-objection, dismiss any Audit Committee member who loses the membership conditions or violates the provisions of the Committees of Insurance and Reinsurance Companies' Regulations or the Cooperative Insurance Monitoring System or its Executive Regulations, or the provisions of the Companies System, or the provisions of the regulations and instructions related thereto.</p> <p>(c) The Saudi Central Bank may cancel its non-objection to an Audit Committee member(s) if any thereof violates the provisions of the Committees of Insurance and Reinsurance Companies' Regulations, the Cooperative Insurance Monitoring System, the Companies System, or the provisions of the other regulations and instructions related thereto.</p> <p>(d) A member of the audit committee is entitled to resign, provided that they submit their resignation request to the Board of Directors one month prior to the effective date of their resignation and at a suitable</p>
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Amendment of Audit Committee Regulation

<p>provide the Saudi Central Bank with a copy of the resignation request within five working days from the date thereof.</p> <p>(d) A member shall be deemed to have resigned from the membership of the Audit Committee if he fails, without an excuse acceptable to the BOD, to attend the meetings of the Audit Committee for more than three consecutive sessions.</p>	<p>time accepted by the Board of Directors; otherwise, they will be responsible to AICC. AICC shall notify the Saudi Central Bank and relevant authorities in writing of the member's resignation, reasons for their resignation, and provide a copy of the resignation request within five working days of its date.</p> <p>(e) A member is deemed resigned from the audit committee if they, without an acceptable excuse approved by the Board of Directors, fail to attend audit committee meetings for more than three consecutive sessions.</p>
<p><u>Article Three: Vacancy in the Committee</u></p> <p>If the position of a member of the Audit Committee becomes vacant during the term of membership, the BOD shall appoint, within a maximum period of one month from the vacancy of this position - after obtaining written NOC from the Saudi Central Bank - another member in the vacant position, provided that the appointment is presented to the General Assembly in its first meeting, and the new member completes the term of the previously appointed member.</p>	<p><u>Article Eleven: Vacancy in the Committee</u></p> <p>If a member of the audit committee position becomes vacant during their term, the Board of Directors shall appoint a new member within a maximum period of one month from the date of the vacancy, after obtaining the no-objection of the Saudi Central Bank.</p>
<p>NA</p>	<p><u>Article Twelve : Responsibilities of the Board of Directors:</u></p> <ol style="list-style-type: none"> 1. The Board of Directors shall be deemed liable for the activities of the audit committee in accordance with the regulations and instructions under which AICC operates. 2. The Board of Directors shall be deemed liable for ensuring the effectiveness and efficiency of financial systems and reports and for safeguarding AICC's assets.
<p><u>Article Eleven: Responsibilities of the Committee</u></p> <p>The members of the Audit Committee shall be deemed liable before the Saudi Central Bank, the company's shareholders and the company's BOD for implementing the provisions of such Regulations of Audit Committees issued by the Saudi Central Bank, and for implementing the action plan of the Audit Committee.</p>	<p><u>Article Thirteen: Responsibilities of the Committee</u></p> <ol style="list-style-type: none"> 1. Audit committee members shall be deemed liable to the Saudi Central Bank, AICC's shareholders, and the Board of Directors for implementing the provisions of these regulations and for implementing an action plan for the audit committee issued by the Board of Directors. 2. Audit committee members shall prioritize the interests of AICC over any other considerations that may affect their work and decisions.

Amendment of Audit Committee Regulation

	3. The committee shall prepare a working guide that outlines the implementation procedures that the committee shall follow to perform its duties and the provisions of the general rules governing the work of the internal audit committee.
<p><u>Article Twelve: Conflict between the Audit Committee and the Board of Directors:</u> If there is a conflict between the recommendations of the audit committee and the decisions of the board of directors, or if the board rejects the committee's recommendation regarding the appointment, dismissal, determination of fees, and evaluation of the performance of the company's auditor or the appointment of the internal auditor, the board's report shall include the committee's recommendation and justifications, as well as the reasons for not following such recommendation.</p>	<p><u>Article Fourteen: Conflict between the Audit Committee and the Board of Directors:</u> If there is a conflict between the recommendations of the audit committee and the decisions of the board of directors, or if the board rejects the committee's recommendation regarding the appointment, dismissal, determination of fees, and evaluation of the performance of the company's auditor or the appointment of the internal auditor, the board's report shall include the committee's recommendation and justifications, as well as the reasons for not following such recommendation.</p>
<p><u>Article Thirteen: Order of Notes submission:</u> The audit committee shall establish a mechanism that allows employees of AICC to submit their comments on any deviation in the financial reports or otherwise confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the size of the error or deviation and shall indicate appropriate follow-up measures.</p>	<p><u>Article Fifteen: Order of Notes submission:</u> The audit committee shall establish a mechanism that allows employees of AICC to submit their comments on any deviation in the financial reports or otherwise confidentially. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the size of the error or deviation and shall indicate appropriate follow-up measures.</p>
<p><u>NA</u></p>	<p><u>Article Sixteen: Confidentiality:</u> a. Members of the audit committee may not disclose to shareholders or third parties any company secrets they have become aware of as a result of their work, otherwise they shall be isolated and held accountable for compensation. b. All members of the audit committee shall maintain the confidentiality of matters related to the audit committee's work, even after their membership in the committee ends.</p>
<p><u>Article Fourteen: General Provisions:</u> (a) A member of the Audit Committee shall not be entitled to have a direct or indirect interest in the business and contracts that are done for</p>	<p><u>Article Seventeen: Conflict of Interest</u> (a) A member of the committee may not have a direct or indirect interest in the business and contracts carried out on behalf of AICC. A member</p>

Amendment of Audit Committee Regulation

the company's account, and a committee member shall not be entitled to participate in any business that would compete with the company, or trade in any of the branches of the activity that he practices, otherwise The company could claim compensation from him, or consider the operations he conducted for his own account to have been conducted for the company's account.

(b) The members of the Audit Committee or the parties related thereto, when issuing or renewing any insurance policy from the company, shall pay the due premium in full, and it shall be treated and quoted, or any claim related to such documents shall be as per the regulations applicable to customer claims and without preferential treatment, and the statutory controller shall be notified Any compensation due to the member.

(c) The company shall not be entitled to provide a cash loan of any kind to members of the Audit Committee, or guarantee any loan contracted by one or more of them with third parties, and any contract concluded in violation of the provisions of such regulations or the work regulations of the Audit Committee approved by the General Assembly shall be considered void.

(e) The committee shall prepare a working guide that outlines the implementation procedures that the committee shall follow to perform its duties and the provisions of the general rules governing the work of the internal audit committee.

(f) No article herein may be modified, deleted or added except upon a proposal from the Board of Directors and approval of AICC's General Assembly.

(g) This regulation shall be effective from the date of being approved by the General Assembly, and shall supersede The updated Audit Committee's Selecting Procedures, the duration of its term and the monitors of its activities approved by the Ordinary General Assembly on 02/08/2016.

of the committee may also not participate in any activity that competes with AICC or trade in any branch of AICC's activities, otherwise AICC may demand compensation, or consider the operations carried out on his behalf as being carried out on behalf of AICC.

(b) Members of the audit committee or related parties shall pay the full amount of any insurance document issued or renewed by AICC. Treatment, pricing, or any claim related to such documents shall be in accordance with the regulations applicable to customer claims and without preferential treatment. The regulatory supervisor shall be notified of any compensation due to the member.

(c) AICC may not provide any kind of cash loan to members of the audit committee or guarantee any loan made by one or more thereof with a third party. Any contract made in violation of the provisions hereof shall be deemed null and void.

Article Eighteen: Amendment and Effectiveness:

(a) No article herein may be modified, deleted or added except upon a proposal from the Board of Directors and approval of AICC's General Assembly.

(b) This regulation shall be effective from the date of its approval by the General Assembly.



Current version of

Corporate Governance Manual

Arabia Insurance Cooperative Company

2022

Preface:

Adherence to corporate governance (“CG”) is crucial to the success of the Company. CG incorporates mechanisms for regulating the various relationships among the Board of Directors (the “Board”), Executive Management, shareholders and Stakeholders, and requires the application of a clear framework of transparency, disclosure and accountability that is conducive to the best interests of shareholders, to the protection of their and Stakeholders’ rights, and to the promotion of fairness, competitiveness and transparency.

Arabia Insurance Cooperative Company (“AICC”) has, therefore, developed the Company’s Internal Corporate Governance Regulations in accordance with the requirements of the Insurance & Reinsurance Corporate Governance Regulations issued by the Saudi Central Bank (“SCB”) and the (updated) Corporate Governance Regulations issued by the Capital Market Authority Board.

Believing that the Regulations are a key enabler of the success of the Company, AICC’s Board has made sure that they will be in line with international best practice and will be effective and fully applied.

Company Overview:

AICC is a Saudi Arabian public joint-stock company established by Royal Decree No. M/23 of 15/3/1428H (3/4/2007) and Council of Ministers Resolution No. 93 of 14/3/1428H (2/4/2007), with CR 1010243302 dated 18/1/1429H (27/1/2008) issued in Riyadh. The Company’s shares were listed on the Saudi Stock Exchange (Tadawul) on 26/1/1429H, corresponding to 4/2/2008.

AICC obtained SCB License No. TMN/15/20086 dated 14/6/1429H (18/6/2008) to engage in insurance business in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The Company’s purpose is to carry on cooperative insurance and related activities in Saudi Arabia, with its main activity comprising all categories of general insurance, health insurance and P&S.

Table of Contents

- Preface
- Company Overview
- Part I: Preliminary Provisions
- Part II: Shareholders' Rights
 - Chapter One: General Rights
 - Chapter Two: Rights related to General Assembly Meetings
- Part III: Board of Directors
 - Chapter One: Formation of the Board
 - Chapter Two: Responsibilities, Roles and Duties of the Board
 - Chapter Three: Working Procedures of the Board
- Part IV: Board Committees
- Part V: Remuneration Policy for Board Members, Board Committees and Senior Executives
- Part VI: Conflict of Interest Policy
- Part VII: Stakeholders
- Part VIII: Professional and Ethical Standards
- Part IX: Disclosure and Transparency
- Part X: Internal Control
- Part XI: Senior Management
- Part XII: Appointed Actuary
- Part XIII: Company's Auditor
- Part XIV: Final Provisions

Part I: Preliminary Provisions

Article 1: General Provisions

a) Corporate Governance Regulations (“CGR”) References:

1. The Cooperative Insurance Companies Control Law promulgated by Royal Decree No. M/32 dated 2/6/1424H and its Implementing Regulations.
2. The Companies Act promulgated by Royal Decree No. M/3 dated 28/1/1437H.
3. The Capital Market Law issued by Royal Decree No. M/30 of 2/6/1424H.
4. The (updated) Corporate Governance Regulations issued by the Capital Market Authority Board.
5. The Rules on the Offer of Securities and Continuing Obligations (“ROSCO”).
6. The Insurance & Reinsurance Corporate Governance Regulations issued by the Saudi Central Bank.
7. The Regulations for Audit Committees in Insurance and Reinsurance Companies issued by the Saudi Central Bank.
8. The Requirements for Appointments to Leadership Positions in Financial Institutions Supervised by the Saudi Central Bank.
9. The Company’s Articles of Association.

b) Amendments to CGR:

The authority to propose amendments to these Regulations shall lie with the Company’s Board.

c) Approval, Coming into Effect and Publication:

1. The authority to approve these Regulations shall belong to the General Assembly of Shareholders, and they shall come into effect as of the date of their approval.
2. The Company shall publish a copy of these Regulations on its website.

Article 2: Definitions:

Without prejudice to the provisions of relevant laws and regulations, the following terms and expressions, wherever used in these Regulations, shall have the meanings respectively indicated next to them, unless the context requires otherwise:

SCB	: The Saudi Central Bank.
CMA	: The Capital Market Authority.
CGR or Regulations	: The Corporate Governance Regulations of Arabia Insurance Cooperative Company.
AICC or Company	: Arabia Insurance Cooperative Company.

- Shareholders Assembly** : An assembly consisting of the shareholders of the Company formed in accordance with the provisions of the Companies Act and the Company's Articles of Association.
- Board of Directors or Board** : The Board of Directors of Arabia Insurance Cooperative Company recognized under the laws in force in the Kingdom of Saudi Arabia.
- Chairman of the Board or Board Chairman** : A non-executive Board member elected by the Board to preside over its meetings and organize its activities.
- Executive Member** : A member of the Board of Directors who is a full-time member of the Executive Management of the Company, participates in its day-to-day activities and, in return, receives a monthly salary.
- Non-Executive Member** : A member of the Board of Directors who is not a full-time member of the management team of the Company and neither participates in its day-to-day activities nor receives a monthly or an annual salary.
- Independent Member** : A member of the Board of Directors who enjoys full independence. This means that the member is fully independent of the management and of the Company. Independence is the ability to judge things after taking into account all relevant information without undue influence from management or from external parties. None of the issues affecting independence stipulated in Article 20 of the Corporate Governance Regulations issued by CMA applies to such a member. Independence is not established on the part of a Board member in the following cases:
- a) If the member is a Significant Shareholder in the Company or in a Related Company or holds five percent or more of the shares of the Company or the shares of another company within the Company's group, or represents or works for a Significant Shareholder, or is a relative of someone who holds such percentage.
 - b) If the member is a member of the Board of a Related Company or held that position during the past two years.
 - c) If the member has served as a Board member of the Company for more than nine years.
 - d) If the member holds a position in the Senior Management of the Company, in the management of a Related Company or with a Significant Shareholder, or held one during the past two years.
 - e) If the member is an employee, or used to be an

employee during the past two years, of the Company, a Related Company or a company that provides services to the Company (e.g. external auditors, consulting firms, etc.)

- f) If the member is a related person of a member of the Board or Senior Management of the Company or of a Related Company.
- g) If the member has a contractual or business relationship with the Company (either directly or through an entity in which the member is a Significant Shareholder, a Board member, or a manager) which resulted in paying to, or receiving from, the Company a sum of money equal to two hundred fifty thousand (250.000) Saudi riyals (other than the member's remuneration as a member of the Board) during the past two years.
- h) If the member is under a financial or moral obligation towards the Company or any members of its Board or Senior Management that might affect the member's exercise of full independence in judgment and decision-making.
- i) If the member is engaging in an activity competing with the Company or any members of its Board or Senior Management that might affect the member's exercise of full independence in judgment and decision-making.
- j) If the member is a relative of any Senior Executive of the Company or of another company within the Company's group.
- k) If the member receives from the Company in addition to the remuneration for serving on the Board or any Committees, sums of money exceeding two hundred thousand (200.000) Saudi riyals or exceeding 50% of the member's remuneration received in the preceding year for serving on the Board or any Committees, whichever is lower.

Chief Executive Officer or CEO : The officer with the highest rank in the Senior Executive Management of the Company who is in charge of its day-to-day management, regardless of the title of his or her position.

Senior Management or Executive Management (Management of the Company) : The persons responsible for managing the day-to-day operations of the Company and proposing and implementing strategic decisions, including the Managing Director, CEO, General Manager and their deputies, Chief Financial Officer, managers of key departments, those in charge of the Company's risk management, internal audit and compliance functions, and the like, and the incumbents of any such other positions as may be determined by SCB.

- Leadership Positions** : Members of the Board of Directors and Senior Management.
- Stakeholders** : The persons or parties who have an interest in the business transacted by the Company, including shareholders, insureds, claimants, Company employees, reinsurers, suppliers, the community, and regulatory and supervisory bodies.
- Significant Shareholders** : Persons who hold 5% or more of the Company's shares or voting rights.
- Relatives** :
 - Fathers, mothers, grandfathers, grandmothers and their ancestors.
 - Children, grandchildren and their descendants.
 - Full and half siblings and their children.
 - Husbands and wives.
 -
- Person** : Any natural or legal person recognized as such under the laws of the Kingdom.
- Related Parties** :
 - a. Significant Shareholders of the Company.
 - b. Board members of the Company or of any of its Affiliates and their relatives.
 - c. Senior Executives of the Company or of any of its Affiliates and their relatives.
 - d. Board members and Senior Executives of the Company's Significant Shareholders.
 - e. Entities, other than companies, owned by a Board member, a Senior Executive or relatives thereof.
 - f. Companies in which a Board member, a Senior Executive or any of their relatives is a partner.
 - g. Companies in which a Board member, a Senior Executive or any of their relatives is a Board member or a Senior Executive.
 - h. Joint-stock companies in which a Board member, a Senior Executive or any of their relatives holds 5% or more, subject to the provision of paragraph (d) of this definition.
 - i. Companies in which a Board member, a Senior Executive or any of their relatives has influence on the company's decisions, even if only by giving advice or guidance.
 - j. Any person whose advice and guidance influence the decisions of the Company and its Board members and Senior Executives.
 - k. Holding companies or Affiliates of the Company.

Advice and guidance provided on a professional basis by a person licensed to provide the same shall be excluded from the provisions of paragraphs (i) and (j) of this definition.

- Group** : In relation to a person, means such person and its affiliates.
- Affiliate** : A person who controls another person, or is controlled by that other person, or is under common control with that other person by a third person, in each case directly or indirectly.
- Cumulative Voting** : A method of voting for electing Board members that gives each shareholder a voting capacity equivalent to the number of shares he/she owns, and by which the shareholder is entitled to either exercise all of his/her votes towards one nominee or to divide his/her votes towards several nominees without any duplication of such votes.
- Remuneration** : Amounts, allowances and the like, periodic or annual bonuses linked to performance, short- or long-term incentive schemes, and any other in-kind benefits, except the actual reasonable expenses and fees incurred by the Company to enable the Board member to perform his/her duties.
- Shareholders Assemblies** : Ordinary or extraordinary General Assemblies or Special Assemblies.
- Day** : A calendar day, whether or not a business day.

Article (3): Objectives of the Regulations:

These Regulations aim at establishing an effective legal framework to govern the Company, and particularly aim at the following:

- 1) Enhancing the role of the Company's Shareholders and facilitating the exercise of their rights;
- 2) Stating the competencies and responsibilities of the Board and the Executive Management;
- 3) Enhancing the role of the Board and the committees and developing their capabilities to enhance the Company's decision making mechanisms;
- 4) Achieving transparency, impartiality and equity in the Exchange, its transactions, and the business environment and enhance disclosure therein;
- 5) Providing effective and balanced tools to deal with conflicts of interest;
- 6) Enhancing accountability and control mechanisms for the Company's employees; providing the necessary means and tools for the Board to monitor and assess the performance of the executive departments; and providing the greatest possible protection from risks that affect the Company's operations;
- 7) Establishing the general framework for dealing with Stakeholders and protecting their rights;
- 8) Assisting in the optimal utilization of the Company's resources and capital more efficiently, whereby the Company's investments can be directed in highly organized and transparent ways towards finding market opportunities for marketing its products or penetrating new markets, and preventing the misdirection of the Company's capital.
- 9) Enhancing the confidence of investors in the Company, as commitment to governance and the application of the provisions thereof is deemed an additional and influencing factor in investment decisions.
- 10) Assisting in attracting the capital to be invested in the Company's long-term investments.
- 11) Transparently clarifying the structure through which the Company's goals, and the means to achieve those goals and follow-up performance, are determined, and clarifying the responsibility of each party to achieve the goals and hold them accountable for the productivity thereof, from the Board to the Company's executive units.
- 12) Organizing the relationship with stakeholders.

Article (4): Accountability:

- 1) The Board shall be accountable to the Shareholders, regulatory and supervisory bodies, and other Stakeholders.
- 2) The Board shall hold members of the Senior Management accountable for the damage that may arise as a result of their misuse of their delegated powers.
- 3) The Board shall be ultimately accountable and responsible for the performance, conduct, and regulatory compliance of the Company. Delegating authority to Board committees or Senior Management shall not absolve the Board of its responsibilities. Furthermore, the Board shall be responsible for the performance of third parties engaged to perform jobs or manage functions.

- 4) The members of the Board shall be jointly responsible for damages sustained by the Company, the Shareholders, or third parties, as a result of their failure to manage the Company's affairs or their violation of the provisions of the Companies Law or The Law on Supervision of Cooperative Insurance Companies and the Company's Articles of Association. Every provision to the contrary shall be deemed null and void.
- 5) The accountability of the members of the Board shall be in accordance with the provision of Paragraph (3) of this Article, if a wrongful act arises from a resolution issued and adopted by them all. But with respect to resolutions adopted by majority vote, dissenting members shall not be liable if they have expressly recorded their objection in the minutes of the meeting. Absence from the meeting at which such resolution is adopted shall not constitute cause for relief from liability, unless it is established that the absentee was not aware of the resolution, or unable to object after becoming aware thereof.
- 6) The approval of the General Assembly to exonerate the members of the Board from liability shall not be required when filing a liability claim.
- 7) Liability claim shall not be heard after the lapse of 3 years from the date of disclosure of the damaging act. However, in any case, except in cases of fraud or forgery, any liability claim shall be barred after the latter of five years from the end of the financial year during which the damaging act, or three years from the end of the directorship of the concerned Director.
- 8) The Company may file a liability claim against the members of the Board for wrongful acts that cause damages to all the Shareholders. The resolution to file this claim shall be made by the Ordinary General Assembly, which shall appoint a person to pursue the claim on behalf of the Company.
- 9) Every Shareholder shall have the right to file a liability claim against the members of the Board on behalf of the Company if the wrongful act committed by them is of a nature to cause him personal damage. However, the Shareholder may file such claim only if the Company's right to file such claim is still valid. The Shareholder shall notify the Company of his intention to do so, while he shall be adjudged compensation only to the extent of the damage caused to him.

Article (5): Independence, Fitness and Propriety:

- 1) A high level of independence shall be achieved in decision making throughout the Company by, for example, establishing clear separation of duties between the Board and the Management, enhancing the independence of control functions (Internal Audit Department, Regular Control Department and Risk Management Department), and controlling the risk of conflict of interest.
- 2) The Board should leverage the services of independent external parties to provide assurance on the adequacy and effectiveness of the governance structure and processes of the Company, and on other technical areas, where the Board might lack relevant expertise.
- 3) Members of the Board, Board committees, and Senior Management shall be trustworthy and shall have the integrity, competency, knowledge, and

experience to fulfill their respective roles and shall comply with all laws, regulations, rules and instructions issued by the Central Bank at all times, in particular, the requirements for appointment to leadership positions in financial institutions under the supervision of the Central Bank, and they shall be appointed only in accordance with those requirements.

Part II: Rights of Shareholders:

Chapter 1: General Rights

Article (6): Fair Treatment of Shareholders

- a) The Board shall seek Shareholders' rights protection to ensure fairness and equality among them.
- b) The Board and the Senior Management of the Company shall not discriminate among Shareholders who own the same class of shares nor prevent them from accessing any of their rights.
- c) The Company shall specify in its bylaws and internal policies the procedures that are necessary to guarantee that all Shareholders exercise their rights.
- d) The Company shall take all possible measures to encourage minority Shareholders and individual Shareholders to exercise their role as Shareholders in the Company.
- e) Shareholders shall have the right to communicate their opinions and inquiries to the Board and Senior Management on a regular basis (for example, through the General Assembly or Investor Relations).

Article (7): Rights Related to Shares:

- 1) To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares.
- 2) To obtain his/her share of the Company's assets upon liquidation.
- 3) To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their resolutions.
- 4) To dispose of his/her shares in accordance with the provisions of the Companies Law, The Capital Market Law and their implementing regulations.
- 5) To enquire and request viewing the books and documents of the Company, including the data and information related to the activities of the Company and its operational and investment strategy without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law and their implementing regulations.
- 6) To monitor the performance of the Company and the activities of the Board.
- 7) To hold Board members accountable, file liability claims against them, and appeal for nullification of the resolutions of the Shareholders Assemblies in accordance with the conditions and restrictions provided in the relevant laws.
- 8) Preemptive rights to subscribe to new shares issued in exchange for cash. The Extraordinary General Assembly shall have the right to suspend or give the preemptive rights to non-Shareholders, as deemed appropriate in the interest of the Company.

- 9) To record his/her shares in the Company's Shareholders register.
- 10) To request to access a copy of the Company's Articles of Association and bylaws unless the Company publishes them on its website.
- 11) To nominate and elect the Board members.

Article (8): Shareholder Access to Information

- 1) The Board shall make available to the Shareholder complete, clear, accurate and non-misleading information to enable him/her to properly exercise his/her rights. Such information shall be provided at the proper times and shall be updated regularly, in accordance with the relevant applicable laws.
- 2) The Board shall ensure that the method used to provide information to the Shareholders shall be clear and detailed and shall include a list of the Company's information that the Shareholders may obtain. This information shall be made available to all Shareholders without discrimination.

Article (9): Communicating with Shareholders:

- 1) The Board believes that a common understanding of the Company's strategic objectives and interests is a principle to achieve communication between the Company and Shareholders.
- 2) The Chairman of the Board and the Chief Executive Officer shall inform the remaining Board members of the opinions of the Shareholders and discuss these opinions with them.
- 3) No Shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless he is a member of its Board or its Executive Management; or unless his/her intervention is through the Ordinary General Assembly according to its powers or within the limits and conditions permitted by the Board.

Article (10): Distribution of Dividends:

- 1- The Company's bylaws shall prescribe the percentage of the net profits to be distributed to the Shareholders after setting aside the statutory reserve and the other reserves, which shall be distributed according to the policy prepared by the Board in this regard.
- 2- The Shareholder shall be entitled to receive his/her share of dividends as per the resolution of the General Assembly in this regard. The resolution shall specify the record date and the distribution date. Shareholders registered in the Shareholders register shall be eligible to profits at the end of the day specified for eligibility. The Company shall notify the Capital Market Authority – without delay – of any decision or recommendation for dividends distribution. Subject to the prior written approval of the Central Bank, dividends to be distributed amongst the Shareholders shall be paid at the place and times specified by the Board, in accordance with the instructions issued by the Competent Authority.

Chapter 2: Rights Related to the General Assembly Meeting:

Article (11): Composition and Convention of General Assemblies:

- a) A properly composed general assembly shall represent all Shareholders.
- b) The seat of the general assembly shall be in the city in which the Company's head office is located.
- c) The meetings of the General Assemblies of Shareholders may be convened, and Shareholders may participate in their deliberations and vote on their resolutions using methods of contemporary technologies pursuant to controls determined by the Competent Authority.
- d) The meetings of the Ordinary General Assemblies of Shareholders shall be convened in accordance with the provisions of the Companies Law and Its Implementing Regulations and the Company's bylaws.
- e) The Ordinary General Assembly shall convene at least once a year during the six months following the end of the Company's financial year.

Article (12): Right to Attend General Assemblies:

- a) Each Shareholder, regardless of the number of shares thereof, shall have the right to attend the General Assembly of Shareholders.
- b) In case of failure to attend, each Shareholder may delegate someone other than the members of the Board or the Company's employees to attend the General Assembly on behalf thereof.

Article (13): The Power to Invite to the Meeting of the General Assembly:

- a) The General Assemblies shall convene upon an invitation from the Board in accordance with the terms and conditions stated in the Companies Law and Its Implementing Regulations and the Company's bylaws.
- b) The Board shall invite the Ordinary General Assembly to convene upon the request of the external auditor, the audit committee or a number of Shareholders holding shares equal to at least (5%) of the share capital of the Company.
- c) The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from the date of the external auditor's request.

Article (14): Announcing the Invitation to the General Assembly:

- a) The date, place and agenda of the General Assembly shall be announced by the Company at least twenty-one days prior to the date thereof.
- b) The invitation shall be published on the website of the Exchange, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located.
- c) The Company may invite the Shareholders' Assemblies to convene using methods of contemporary technologies.
- d) It may be sufficient to send the invitation on the aforementioned date to all Shareholders by registered letters. A copy of the invitation and the agenda

shall be sent to the Capital Market Authority during the period specified for publication.

Article (15): The Agenda of the General Assembly:

- a) When preparing the General Assembly's agenda, the Board shall take into consideration the matters that the Shareholders wish to list.
- b) Shareholders holding no less than (5%) of the Company's shares shall be entitled to add one or more items to the agenda upon its preparation.
- c) The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item.
- d) The Board shall not combine the businesses and contracts in which Board members have a direct or indirect interest under one item.
- e) The Company may amend the agenda of the General Assembly during the period between the publication of the announcement referred to in Paragraph (a) of Article (14) and the date of the General Assembly, provided that the Company shall announce this in accordance with the conditions provided for in Article (13).
- f) The Shareholders shall be allowed through the Company's website and the Exchange's website, when the invitation for the convention of the General Assembly is published, to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the auditor, the financial statements and the audit committee's report in order to enable them to make an informed decision in this regard. The Company shall update this information in case the General Assembly's agenda was amended.

Article (16): Shareholders' Rights to Participate in the General Assemblies:

- a) The Board shall work on facilitating the participation of the largest number of Shareholders in the meetings of the General Assembly, by choosing the appropriate place and time of such meeting.
- b) The Shareholders shall be granted the opportunity to effectively participate and vote in the meetings of the General Assembly.
- c) The matters presented to the General Assembly shall be accompanied by documents and explained clearly in order to enable the Shareholders to take their decisions based on sufficient information.
- d) The Shareholders shall be granted the opportunity to effectively participate and vote in the meetings of the Shareholders' General Assembly, using methods of contemporary technologies pursuant to controls determined by the Competent Authority.
- e) They shall be briefed and informed of the rules governing meetings and voting procedures.
- f) The Shareholders who wish to attend the General Assembly shall register their names in a special register prepared for this purpose at the head office of the Company before the date of convening the General Assembly. When the meeting convenes, a list shall be prepared including the names of the

Shareholders present or represented thereat, and showing the number of shares held by each, whether personally or by proxy. Any interested party shall be entitled to review this list. This may be verified by another means if provided for in the Company's bylaws.

Article (17): Management of Shareholders' Assembly:

- a) The Shareholders' General Assembly meetings shall be chaired by the chairman, his deputy (if the chairman is absent) or whom is delegated by the Board of its members (when the chairman and his deputy are absent).
- b) The chairman of the Shareholders' Assembly shall commit to grant the Shareholders the opportunity to effectively participate and vote in the meetings of the General Assembly and avoid any procedure that may preventing their attendance to the assemblies or the exercise of the voting right.
- c) Shareholders shall be entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the Board members and to the auditor. The Board or the auditor shall answer the questions raised by Shareholders to the extent that does not jeopardize the Company's interest. If the Shareholder deems that the answer to his question is not convincing, he shall appeal to the Assembly, the decision of which in this regard shall be enforceable.

Article (18): Rights to vote in the Assemblies:

- a) Voting is a fundamental right of the Shareholder and cannot be revoked in any way. The Company shall avoid developing any procedure that might impede the use of the right to vote, and it shall facilitate the Shareholder's exercise of his right to vote. Remote voting may be used in accordance with the regulations developed by the Competent Authority.
- b) Cumulative voting shall be used to elect members of the Board.
- c) The members of the Board shall not participate in voting on resolutions of the assembly pertaining to relief them from liability for the management of the Company or pertaining to a direct or indirect interest thereof.

Article (19): Minutes of Assemblies:

- a) Minutes of the General Assembly shall be issued. The minutes shall include the names of the Shareholders present in person or those represented, the number of the shares held by them, in person or by proxy, the votes held by them, the resolutions passed, the number of the votes for or against such resolutions and an adequate summary of the discussions at the meeting. Such minutes shall be entered regularly after each meeting in a special register which shall be signed by the chairman, the secretary and the teller.
- b) Shareholders shall have the right to review the minutes of the General Assembly meeting.
- c) The company shall provide the Authority with a copy of the minutes of the meeting, within ten days from the date of the meeting.

- d) Subject to the disclosure policy approved by the Board, the Company shall announce to the public and notify the Authority and the Exchange- in accordance with the controls set by the Authority - of the results of the General Assembly immediately upon the conclusion thereof.

Article (20): Quorum for General Assemblies:

First: Ordinary General Assembly:

- a) The Ordinary General Assembly meeting shall be valid only if attended by Shareholders representing at least one quarter of the Company's capital.
- b) If this quorum has not been obtained at a first meeting, a notice shall be sent for a second meeting to be held within 30 days of the previous meeting. This notice shall be published in the manner prescribed in Article (14) hereof.
- c) However, a second meeting shall be held one hour after the lapse of time set for the first meeting, provided that the notice for holding the first meeting shall indicate the possibility of holding such meeting. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.
- d) In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

Second: Extraordinary General Assembly:

- a) The Extraordinary General Assembly meeting shall be valid only if attended by Shareholders representing at least one half of the Company's capital.
- b) If this quorum has not been obtained at a first meeting, a notice shall be sent for a second meeting to be held under the same conditions provided for in Article (14) hereof.
- c) A second meeting shall be held one hour after the lapse of time set for the first meeting, provided that the notice for holding the first meeting shall indicate the possibility of holding such meeting.
- d) In all cases, the second meeting shall be valid if attended by a number of Shareholders representing at least one-quarter of the capital.
- e) If this quorum has not been obtained at a second meeting, a notice shall be sent for a third meeting to be held under the same conditions provided for in Article (13) hereof. The third meeting shall be valid regardless of the number of shares represented therein after obtaining the approval of the Competent Authority.

Article (21): Resolutions of Assemblies:

Resolutions of the Constituent Assembly shall be passed by absolute majority of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be passed by absolute majority of the shares represented at the meeting. However, if such resolutions relate to the evaluation of special privileges, they shall be adopted by two thirds' majority of the subscribers to shares, after the exclusion of the subscriptions made by the beneficiaries of special privileges. Resolutions of the Extraordinary General Assembly shall be passed by two-thirds majority of the shares represented at the meeting unless the resolution relates to increase or reduction of capital, extension of the Company's term, dissolution of the Company prior to the

term set therefor in its Bylaws or merger of the Company with another company, in which case such resolution shall only be valid if passed with a three-quarters majority of the shares represented at the meeting.

Article (22): Competencies of the Extraordinary General Assembly:

The Extraordinary General Assembly shall have the competencies established in the Companies Law, its Implementing Regulations, Corporate Governance Regulations, and the Company's bylaws, including, but not limited to, the following:

- a) Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;
- b) Increasing the Company's share capital - subject to the approval of the Competent Authority - provided that the share capital shall be fully paid.
- c) The Extraordinary General Assembly shall have the right to suspend preemptive rights to subscribe for increasing the share capital for cash shares or give such preemptive rights to non-Shareholders, as deemed appropriate in the interest of the Company.
- d) Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses - subject to the approval of the Competent Authority - provided that the paid-up capital of the insurance company after decreasing the capital shall not be less than (100) one hundred million riyals and in accordance with the conditions established in the Companies Law and its Implementing Regulations.
- e) The Extraordinary General Assembly may issue resolutions that fall within the competencies of the Ordinary General Assembly, under the same conditions established for the Ordinary General Assembly.

Article (23): Competencies of the Ordinary General Assembly:

Except for the competencies reserved to the Extraordinary General Assembly, the Ordinary General Assembly shall have competencies in all affairs of the Company, subject to the relevant laws and regulations and the Company's bylaws, including, but not limited to, the following:

- a) Appointing and dismissing Board Members;
- b) Permitting a Board member to have direct or indirect interest in the business and contracts that are executed for the Company's account, in compliance with the provisions of the Companies Law and Its Implementing Regulations. It shall not be considered a direct and indirect interest, which requires the permission of the General Assembly, the business and contracts that are made to meet personal needs, if they are made under same terms and conditions followed by the Company with all contractors and dealers and they fall within the normal course of the Company's business.
- c) Permitting a Board member to take part in any activities that may lead to competition with the Company, or competition in any of its activities, in compliance with the provisions of the Companies Law and its Implementing Regulations.
- d) Forming the audit committee pursuant to the provisions of the Companies Law and Its Implementing Regulations.

- e) Monitoring the compliance of the Board members with the provisions of the Companies Law and Its Implementing Regulations and other relevant laws and the Company's bylaws; inspecting any damage that may occur as a result of their violation of such provisions or mismanagement of the affairs of the Company; determining the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and Its Implementing Regulations.
- f) Approving the Company's financial statement.
- g) Approving the Board report.
- h) Deciding on the proposals of the Board with respect to the method of distributing the net dividends.
- i) Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports.
- j) Discharge of members of the Board.
- k) Resolving to withhold from setting aside statutory reserve when it reaches an amount equal to (30%) of the Company's paid share capital, and resolving to distribute the surplus of such percentage to the Company's Shareholders in financial years where the Company does not generate net dividends.
- l) Permitting businesses and contracts.

First: Delegating the General Assembly to permit business and contracts to the Company's Board:

The General Assembly shall have the right to delegate the Company's Board to permit the business and contracts that are made for the Company's account, in which the Board member has a direct and indirect interest, subject to the relevant laws and regulations, as detailed below:

- a) The total amount of business or contract or the total of the businesses and contracts during the fiscal year - is less than (1%) of the company's revenues according to the latest audited financial statements and less than 10 million Saudi Riyals.
- b) The business or contract falls within the normal course of the Company's business.
- c) The business or contract shall not include preferential terms to the Board members and shall be in accordance with the same terms and conditions followed by the company with all contractors and dealers.
- d) The business or contract shall not be part of the business and consultation contracts which a board member carries out by a professional license for the Company.
- e) The period for the delegation shall be a maximum of one year from the date of approval by the Ordinary General Assembly to delegate its powers, stipulated in paragraph (1) of Article 71 of the Companies Law, to the Company's Board, or until the end of the session of the delegated Board, whichever is earlier.
- f) Any member of the Board shall not be allowed to vote on the items of delegation and the revocation in the General Assembly.

Second: Permitting the Businesses and Contracts by the General Assembly:

If the General Assembly does not delegate the permission powers stipulated in Paragraph (I - First), or if the terms of permission powers are not fulfilled, a permission shall be obtained from the General Assembly on the business and contracts that are made for the Company's account, and in which a Board member has a direct or indirect interest.

Third: Refuse to Grant the Permission:

- a) If the Board of Directors rejects granting the permission, the member of the Board shall resign within a period specified by the Board; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from such contract or transaction or regularize his situation prior to the end of the period set by the Board.
- b) If the General Assembly rejects granting the permission, the member of the Board shall resign within a period specified by the General Assembly; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from such contract or transaction or regularize his situation prior to the end of the period set by the General Assembly.

Part III: Board of Directors:

Chapter 1: Formation of the Board:

Article (24): Board Members Election:

- 1) The procedures for nomination, selection and appointment of members of the Board shall be in accordance with the relevant policy approved by the General Assembly of Shareholders - Board Membership Policy and Procedures.
- 2) After obtaining the Central Bank's no objection to the nominees, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board, which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.
- 3) The General Assembly shall elect the members of the Board for the period stipulated in the Company's bylaws, which is fixed at three years, and they may always be re-elected unless the Company's bylaws stipulate otherwise.
- 4) Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
- 5) Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per Paragraph (2) of this Article.
- 6) Members of the Board shall undergo an induction program once they join the Board. Each member shall be provided with a letter of appointment outlining his roles and responsibilities, and comprehensive information on the Company's business and strategic plans and on relevant laws and regulations.

Article (25): Formation of the Board:

- a) The Company's bylaws shall specify the number of members of the Board, provided that such number shall not be more than (11) and not less than (5) members on a continuous basis.

- b) The composition of the Board shall reflect an appropriate 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.
- c) The majority of the Board members shall be of Non-Executive Directors.
- d) The Board shall generally have diversity in terms of qualifications, knowledge, experience and skills in the various areas of the Company's business.

Article (26): Conditions for the Membership of the Board:

- a) A member of the Board shall have the required experience, knowledge, skill, integrity and independence, which enable him to perform his duties efficiently.
- b) In general, the members of the Board shall have the competence, foresight, strategic perspective, good administrative perception, management and supervision ability, awareness of legal and financial aspects, and knowledge of the Company's business and activities in particular.
- c) A member of the Board shall have the leadership skills that qualify him to grant powers, as required to drive performance, apply best practices in the field of effective management, and adhere to professional values and ethics.
- d) A member of the Board shall not suffer from any health issue that may hinder him from performing his duties and responsibilities.
- e) A member of the Board shall not be a member of the board of directors of more than five joint stock companies listed on the Exchange at the same time.
- f) A member of the Company's Board shall not be a member of the board of directors of another local insurance and/or reinsurance company, or one of its committees, or occupy a leadership position in such companies.
- g) Whoever occupied the same position in a liquidated company or was dismissed from the same position in another company shall not, except with the prior written consent of the Saudi Central Bank, be nominated for membership of the Board.
- h) Whoever wishes to nominate himself for membership of the Board shall disclose to the Board and the General Assembly any cases of conflict of interest in accordance with the procedures established by the Authority, including: Having a direct or indirect interest in the business and contracts made for the account of the Company he wishes to be nominated for its board of directors, and participating in a business that would compete with the Company in all or one of the branches of its activity.
- i) The Company may specify in writing the qualifications, experience and skills to be available in the members.
- j) The Company shall exercise due diligence to ensure the availability of the approved standards in the current and/or new members.

Article (27): Appointment of the Chairman and Vice Chairman:

The Board - after obtaining the Central Bank's no-objection - shall appoint a Chairman and a Vice-Chairman and may appoint a Managing Director of its members.

Article (28): Termination of a Board Membership:

- 1- The Board Membership shall terminate in the following cases:
 - a) The end of the session of the Board.
 - b) Board member resignation.
 - c) Board member death.
 - d) Having a mental illness or physical disability that may result in the member's inability to fully perform his duties and responsibilities.
 - e) A Judgment declaring the member's bankruptcy or insolvency, a request from the member for a settlement with his creditors, or failure of the member to pay his debts.
 - f) Convicting the member of committing any offence involving breach of honor or trust, or forgery, or of violating the applicable laws and regulations in the Kingdom of Saudi Arabia or in any other country.
 - g) Failure of the member to fulfill his duties in a way that affects the interest of the Company, provided that this shall accompanied by the approval of the Ordinary General Assembly.
 - h) The member's inability to continue exercising his responsibility under the provisions of any of the regulations in force in the Kingdom of Saudi Arabia.
 - i) At all times, the Ordinary General Assembly may dismiss all or any of the Board members, even if the Company's bylaws provides for otherwise, without prejudice to the dismissed member's right for compensation if the dismissal was on an unacceptable reason or at inappropriate time.
 - j) The General Assembly may also, as per a recommendation of the Board, terminate the membership of the member who missed three consecutive meetings without a legitimate excuse.
- 2- Upon resignation of any member or termination of his membership within (5) working days from the date of resignation or termination, the Company shall promptly notify the Saudi Central Bank.
- 3- Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Capital Market Authority and the Exchange and shall specify the reasons for such termination.
- 4- If a member of the Board resigns and has comments on the performance of the Company, he shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board.

Article (29): Vacancy in the Board:

- a) If a position of a member of the Board becomes vacant, the Board may appoint - temporarily - a member in the vacant position who shall have the sufficient experience, subject to the Saudi Central Bank's no-objection and regardless the voting order in the General Assembly through which the Board of Directors was elected; and the Capital Market Authority shall be informed thereof within five (5) five working days from the date of appointment. In

addition, such appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member shall only complete the term of his predecessor.

- b) Under a decision from the Competent Authority, the Ordinary General Assembly may be convened if the number of members falls below the minimum number required for the valid convention.

Article (30): Independent Members:

- a) An Independent Member shall be able to perform his duties, express his opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the Company.
- b) The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his independence.
- c) The issues affecting independence provided for in the definition of "Independent Member" in Article (2) hereof shall negate the independence requirement for an Independent Member.
- d) Subject to Article (31) hereof, an Independent Member shall actively participate in performing the following tasks:
 - 1- Expressing their independent perspective regarding strategic issues, the Company's policies and performance, and the appointment of members of the Executive Management;
 - 2- Ensuring that the interest of the Company and its Shareholders are prioritized in case of any conflicts of interest; and
 - 3- Overseeing the development of the Company's CG rules and overseeing their implementation by the Executive Management.
 - 4- Attending meetings in which important and fundamental resolutions are taken on the Company's position.

Chapter 2: Roles, Responsibilities and Duties of the Board:

Article (31): Responsibilities, Roles and Duties of the Board:

- a) The Board shall represent all Shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximize its value.
- b) Ensure that the interests of the insured are protected at all times.
- c) Each member of the Board shall comply with the principles of truthfulness, honesty, loyalty, and care of the interests of the Company and its Shareholders and prioritize their interests over his personal interests.
- d) The Board shall carry out its duties in a responsible manner, in good faith and with due diligence. Its resolutions shall be based on sufficient information from the executive management, or from any other reliable source.
- e) The Board shall approve a written and detailed policy that identifies the powers delegated to the Executive Management and the procedures and duration of the delegation. The Board shall also define the topics that it

reserves the power to decide on. The Executive Management shall submit periodic reports in respect of its exercise of such delegated powers.

- f) The Board shall the internal policies related to the business and development of the Company, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.
- g) The Board shall define the topics that it reserves the power to decide on.
- h) The Board shall develop procedures for orienting new Board members of the Company's business and, in particular, the financial and legal aspects, in addition to their training, where necessary.
- i) The Board shall ensure that sufficient information about the Company is made available to all members of the Board generally, and, in particular, to the non-executive members, to enable them to fulfill their duties and responsibilities in an effective manner.
- j) The Board shall Promote higher standards of corporate governance and ensuring compliance with applicable laws and regulations.
- k) The Board shall be responsible for promoting a culture of good corporate governance and high ethical standards.
- l) The Company's Board shall be responsible for its actions, and if it delegates committees, bodies, or individuals to exercise some of its competencies. In all cases, the Board shall not issue a general or indefinite delegation.
- m) Members of the Board shall perform their duties free from any external influence, whether from within or outside the Company. Members of the Board shall not allow their own personal interest, or the interest of the parties they represent, to come before, or in conflict with, that of the Company, its Shareholders, and other Stakeholders.
- n) The Board shall grant the audit committee the appropriate level of authority to investigate any matter within its mandate and shall ensure that the internal audit function is autonomous and is granted full access to all the information it needs to conduct its activities. In addition, the Board should take all necessary measures to ensure the responsiveness of Senior Management to internal auditors' queries.
- o) All individual members of the Board shall have the same proportionate control and influence over the resolutions of the Board.
- p) Members of the Board and its committees shall be prohibited from disclosing to Shareholders or the public any confidential information obtained as they perform their role, other than in the General Assembly, and shall not use such information for their own benefit and personal gain.

Article (32): Duties and Powers of the Board of Directors:

Subject to the functions prescribed for the General Assembly, the Board of Directors shall have the most extensive powers to manage the company to achieve its purpose, and within the limits of its function, it may authorize one or more of its members or third parties to perform certain work or works, in compliance with the

relevant laws and regulations. The duties and responsibilities of the Board of Directors shall include the following:

First: The Strategic Duties, including the following:

- 1) Strategic leadership of the company, setting goals and formulating strategic plans.
- 2) Adopting the strategic directives, and main objectives and operations of the company, as well as supervising their implementation, and reviewing them periodically, including:
 - (a) Developing the overall strategy, Main Action Plans and the Risk Management Policy and reviewing its direction.
 - (b) Determining the Optimal Capital Structure for the company, its Strategy and Financial Objectives, and approving Annual Balance Sheets.
 - (c) Supervising Major Capital Expenditures and acquiring and disposing of assets.
 - (d) Setting performance objectives and monitoring the overall implementation and performance of the company.
 - (e) Periodically reviewing and approving the organizational and functional structures of the company.
 - (f) Supervising the senior management and monitoring the company's performance against the performance objectives set by the Board.
 - (g) Verifying the availability of the financial human resources required to achieve the company's objectives and main plans.
- 3) Selecting and changing executive employees in key positions (when needed) and ensuring that the company has an appropriate succession policy.
- 4) Conducting strategic studies of the company aiming to identify, develop and deepen the company's strengths as well as identifying the weaknesses and addressing them.

Second: Operational and Organizational Duties:

- 1- Supervising the application and implementation of laws, regulations, and procedures issued by the relevant regulatory and supervisory authorities.
- 2- Establishing a corporate Governance Regulation, supervising it and monitoring its effectiveness, and amending it when needed.
- 3- Preparing clear and specific policies, standards, and procedures for the membership of the Board of Directors, in accordance with the relevant laws and regulations, and implementing them after obtaining the approval of the General Assembly.
- 4- Establishing systems and measures for internal control and supervising the same, including:

- a) Developing a written policy regulating conflict of interest and addressing potential conflict situations for each member of the Board of Directors, Executive Management and Shareholders, including misuse of the Company's assets and facilities, and misconduct resulting from dealings with related parties.
- b) Verifying the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
- c) Verifying the application of appropriate control systems to manage risks by defining the general perception of the risks that the company may encounter and discussing them with highest levels of transparency.
- d) Conducting effective annual review of the company's internal control procedures.

5- Developing policies and procedures that ensure the company's respect for the rules and regulations and its commitment to disclose material information to shareholders and other stakeholders and check the Executive Management commitment to the same.

6- Acting for achieving and developing profits at acceptable rates commensurate with the volume of investment and insurance activity in the Kingdom.

7- Supervising the company's financial management, its cash flows, and its financial and credit relations with others.

8- Preparing and approving the company's initial and annual financial statements before publishing them.

9- Preparing and approving the Board of Directors' Report prior to its publication.

10- Ensuring the accuracy and integrity of the data and information to be disclosed, in accordance with the applicable disclosure policies and regulations.

11- Establishing effective communication channels that allow shareholders to view the various aspects of the company's activities and any material developments on a continuous and periodic basis.

12- Developing a written policy regulating the relationship with stakeholders to protect them and preserve their rights. In particular, this policy shall cover the following:

- (a) Methods of indemnifying stakeholders in the event of violation of their rights.
- (b) Methods of settling complaints or disputes that may arise between the company and stakeholders.
- (c) Methods of establishing good relations with clients and maintaining the confidentiality of information related to them.
- (d) The rules of professional conduct of managers and employees of the company and developing Methods of monitoring compliance with the same.
- (e) The company's social contributions to community service.

13- Forming its committees in accordance with the relevant rules and regulations.

14- Making recommendation, to the General Assemblies, what it deems appropriate regarding the topics stipulated in the Companies Law, the Implementing Regulations thereof, and the relevant Laws and Regulations.

15- At the beginning of every year, the Board shall set a specific schedule for receiving reports from the relevant committees and internal and external auditors, and ensure that the method of collecting, preparing and submitting reports is proper and consistent with the approved internal policy, including preparing important information and submitting the same to the Board at the specified times.

16- Exercising the powers stipulated in the company's Articles of Association.

Third: Supervising the Executive Management:

The Board of Directors shall be responsible for forming the Executive Management of the company, regulating how it operates, controlling and supervising it, and verifying that it performs the duties assigned thereto. In this regard, it shall:

1- Develop the necessary administrative and financial policies.

2- Verify that the Executive Management operates in accordance with the policies approved thereby.

3- Choose and appoint the CEO of the company after obtaining the Saudi Central Bank No-objection Certificate, as well as supervising its work.

4- Hold periodic meetings with the Executive Management to discuss the course of work and the obstacles and problems encountered, and review and discuss important information regarding the company's activity and the sector in general.

5- Develop performance standards for the Executive Management in line with the Company's Objectives and Strategy.

6- Review and evaluate the Executive Management performance.

7- Develop succession plans for the Company's Management.

Article (33): Duties and Obligations of the Board Member

A Board member shall be committed to all the obligations arising from its membership in the Board of Directors, including, but not limited to, the following:

(a) Attending the meetings of the Board of Directors and the General Assembly on a permanent and regular basis and not to be absent from them, except for a legitimate ground notified to the Chairman of the Board of Directors in advance or for urgent reasons.

(b) Acting on complete information, in good faith, with due diligence and care in the interest of the Company and all shareholders.

(c) Improving its knowledge in the field of the company's activities and in the financial, commercial, insurance and any related fields.

- (d) Actively participating with the members of the Board of Directors to manage the company well and achieve its objectives.
- (e) Reviewing reports on the Company's performance.
- (f) Verifying the soundness and integrity of the company's financial statements and information.
- (g) Verifying that the company's Financial Control and Risk Management Systems are robust.
- (h) Contributing to preparing and following up the company's plans, programs, and projects.
- (i) Performing all the duties and responsibilities stipulated in this Regulation relating to the Chairman and Deputy Chairman of the Board in the event a member assumes any of these positions.
- (j) Reviewing and analyzing information related to the issues considered by the Board of Directors before giving an opinion thereabout.
- (k) Giving opinion about the appointment and removal of members of the Executive Management.
- (l) Completely and immediately informing the Board of Directors of any direct or indirect interest it has in the business and contracts concluded with the company. Such notification shall contain the nature and limits of that interest, the names of any persons involved therein, and the expected benefit to be directly or indirectly obtained from that interest, whether that interest is financial or non-financial. Also, such member shall not participate in voting on any decision made in this regard, pursuant to the provisions of the Companies Law and the Capital Market Law and the Implementing Regulations thereof.
- (m) Completely and immediately informing the Board of Directors of its direct or indirect participation in any business that may compete with the company, or directly or indirectly compete with the company in a branch of the activities it is engaged in, pursuant to the provisions of the Companies Law and the Capital Market Law and the Implementing Regulations thereof.
- (n) Not claiming any salaries, rewards, or financial privileges in return for its membership in the Board of Directors other than those prescribed therefor under the relevant laws and regulations and the company's Articles of Association.
- (o) Keeping confidential the company's secrets and not disclosing them.
- (p) A member of the Board of Directors shall resign from membership in the event that it is unable to fulfill its duties completely.

Article (34): Separation of Positions:

- 1- It is not permitted to hold the position of the Chairman of the Board of Directors while holding any other executive office in the company, including the Managing Director position.
- 2- The role of the Chairman of the Board and the Chief Executive shall be separated and may not be combined, and the responsibilities of the Chairman of the Board shall not overlap with the responsibilities of the Chief Executive Officer.

3- In all cases, no person may have the absolute power to make decisions in the company.

Article (35): Duties of the Chairman of the Board of Directors:

Without prejudice to any other control or supervisory requirements, the duties and responsibilities of the Chairman of the Board of Directors shall include, in addition to its responsibilities and duties as a member:

1- Organizing the work of the Board, including setting meeting agendas in consultation with the CEO and members, presiding over the Board Meetings, and supervising providing the Board of Directors with the information and reports it needs.

2- Verifying that the Board discusses all essential issues in an effective and timely manner.

3- Representing the company before the Judicial Authorities and supervising the relations between the Board and other internal and external bodies.

4- Supporting the efforts of the Board of Directors in raising the level and standards of Company Governance and ensuring compliance with the relevant laws and regulations.

5- Ensuring the existence of channels for actual communication with shareholders and communicating their opinions.

6- Encouraging and developing teamwork among Board Members by working on:

(a) Staying away from personal and public disputes and differences and acting for giving priority to the best interest of the company.

(b) Encouraging discussion of topics in meetings with full openness and cooperation among members to explain different points of view.

(c) Enhancing mutual respect among members and their appreciation of different points of view and listening to them with interest.

(d) Working on developing contact and communication between members and discussing some issues in a consultative and direct manner.

(e) Organizing formal and informal meetings between members on the company's various occasions and events.

(f) Organizing specialized training courses in the field of management and insurance, which ensure the development and deepening of the skills and knowledge of members.

7- Following up the performance of the Members of the Board and the Committees on the issues assigned to them.

8- Meeting periodically with the non-executive members of the Board of Directors without the presence of any executive member of the company.

9- Notifying the Ordinary General Assembly, when held, of the business and contracts in which a member of the Board of Directors has a direct or indirect interest.

10- The Chairman of the Board shall ensure that the Board performs its work responsibly and without undue interference in the Company's Operations.

Article (36): Duties of Deputy Chairman of the Board:

- 1- Presiding the meetings of the Board of Directors in the absence of the Chairman.
- 2- Presiding the meetings of the General Assembly in the absence of the Chairman of the Board.
- 3- Performing the work assigned to it by the Board of Directors or its Chairman.

Article 37: The Secretary of the Board:

- 1- The Board of Directors shall appoint a secretary from among its members or others, and its remuneration is determined by a decision of The Board of Directors.
- 2- 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 relevant laws and regulations and best practices in the field of Company Governance.
- 3- The Secretary of the Board of Directors may not be dismissed except by a decision of the Board.
- 4- The Secretary of the Board of Directors may not be appointed as the Secretary of the Audit Committee.
- 5- The responsibilities and competences of the Secretary shall be:
 - a) Coordinating the meetings of the Board and ensuring the availability of appropriate means of communication to exchange and record information between the Board and its committees, and the members of the Board of Directors.
 - b) Documenting the meetings of the Board of Directors and preparing minutes thereto that include the discussions and deliberations, stating the place and date of the meeting and the time of its beginning and end, documenting the decisions of the Board and the results of voting, keeping them in a special and organized register, recording the names of the members present and the reservations they made - if any, and signing these minutes by all attendant members.
 - c) Maintaining the reports submitted to the Board of Directors and the reports prepared thereby.
 - d) Providing the members of the Board of Directors with the dates of the meetings, providing them with agendas and related documents, and ensuring that they are delivered before the meeting, within no less than ten working days.
 - e) Verifying that the members of the Board of Directors commit to the procedures approved by the Board.
 - f) Presenting the draft of the minutes to the Members of the Board to give their opinions thereon before signing same.
 - g) Verify that the members of the Board of Directors have full and prompt access to a copy of the minutes of the Board Meetings and the information and documents related to the company.
 - h) Organizing the disclosures record of the members of the Board of Directors and the Executive Management in accordance with the provisions of the relevant laws and regulations.
 - i) Providing assistance and advice to the members of the Board of Directors. .
 - j) Organizing preparations for General Assemblies.

k) Performing any other duties assigned to it by the Board of Directors within the limits of its powers under the Law.

Chapter Three: Working Procedures of the Board:

Article (38): Board of Directors Meetings:

(1) The Board of Directors shall hold its meetings on a regular and periodic basis whenever required to exercise its duties effectively in a manner that achieves the objectives and interests of the company and its shareholders. The organization of the Board of directors Meetings shall be as follows:

(a) **The new Board of Directors:** the new Board of Directors elected by the General Assembly meets for the first time immediately after its election and the conclusion of the work of the General Assembly - if possible -.

(b) **Periodic Meetings:** The Board of Directors shall hold 4 meetings within the year, provided that there shall be a meeting every three months.

(c) **Emergency meetings:** It may be called for Emergency Meetings according to the following:

1- At the call of the Chairman of the Board.

2- At the request of two members of the Board.

(2) The Non-Executive Board Members shall hold closed meetings without the attendance of the Management Members at least once a year. The Non-Executive Board Members may call any of the employees of the Control Positions to attend these meetings.

(3) Organizing the call for the meetings of the Board shall be according to the following:

(a) The invitation shall be documented and written in the manner deemed by the Board, for example but not limited to, sent by e-mail, fax, registered mail, or by hand.

(b) The Secretary shall send the invitation, the agenda and related documents at least ten working days before the meeting.

(c) In Emergency Meetings, the invitation and related documents may be sent less than five working days before the date of the meeting.

Article 39: Quorum for the Board Meeting:

1- The meeting of the Board shall not be valid unless it is attended by (two-thirds) of the members in person or by proxy, provided that the number of members present in person is at least (four) members, including an independent member.

2- A member may delegate another member to attend the meetings of the Board and to vote therein.

Article 40: Board of Directors Decisions:

1- The decisions of the Board shall be issued by majority of the opinions of the members present or represented therein, and when the opinions are equal, the side to which the chairperson voted shall prevail.

2- The Board of Directors may issue decisions in urgent matters by submitting them to the members separately unless one of the members requests - in writing - the

meeting of the Board to deliberate thereon, in which case these decisions are submitted to the Board of Directors in the first following meeting.

Article (41): Board Deliberations:

1- The deliberations of the Board shall be recorded in minutes documenting any discussions that took place in the meeting, decisions and voting process that took place during the meeting, including objection and abstention (with reasons, if any). Any documents or papers referenced during the meetings shall be attached.

2- If any of the members of the Board of Directors has comments about the performance of the company or any of the issues considered, which they have not been decided upon at the Board meeting, they shall be written down and the actions taken or deemed to be taken by the Board regarding them shall be indicated in the minutes.

3- If a member of the Board of Directors gives an opinion different from the board decision, it shall be recorded in detail in the minutes.

4- The minutes shall document the place, date, start and end time of the meeting.

5- The minutes of the Board of Directors shall be signed by the chairman of the meeting and the present members of the Board of Directors.

6- The minutes of the Board shall be recorded in a special register signed by the Chairman and the Secretary of the Board.

7- The minutes of the hearings shall be distributed to the concerned parties within a period not exceeding fifteen days, along with identifying the person or entity responsible for executing the decisions made.

Article 42: Providing Board Members with Information:

The company's executive management shall provide the members of the board of directors, non-executive members in particular, and the company's committees, with all the necessary information, data, documents and records, provided that they are complete, clear, true and not misleading, and in a timely manner to enable them to perform their duties and tasks.

Article 43: Communication with the Board:

1- All shareholders and stakeholders may communicate with the Board for the purpose of verifying and inquiring about the extent of compliance with the Governance regulation and the approved regulations in the company and the way it conducts its business in accordance with the relevant regulations.

2- The Board shall be contacted in one of the following ways:

(a) Communicating with the Company Shareholders Affairs

(b) The company email.

3- The Board authorizes whomever it deems appropriate from its committees or the Executive Management to answer questions and inquiries received from shareholders.

Part IV: Board Committees:

Chapter One: General Provisions:

Article 44: Formation of Committees:

- 1) The Board of Directors (BOD) shall form specialized committees to expand the scope of its work according to the company's needs and circumstances, and it shall include, at a minimum, the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, the Investment Committee and Risk Management Committee.
- 2) The BOD shall have the authority to form any other committees it deems necessary to assist it in carrying out the tasks and responsibilities entrusted thereto, including but not limited to - the Compliance Committee, Governance, Disclosure, Human Resources Committee, and Strategic Development ... etc. and to grant such committees the necessary powers to perform their work and monitor their performance.
- 3) The formation of the committees shall be pursuant to the provisions of the relevant laws and regulations.
- 4) The number of committee members shall be no less than three and no more than five.
- 5) The Saudi Central Bank shall obtain NOC to the appointment of the heads and members of the sub-committees, and the company shall notify the Authority of the names of the members of the committees and their membership descriptions 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 those changes.
- 6) The BOD shall adopt an organizational chart for each of the committees it forms, and that each of such committees has general procedures set by the BOD that define the committee's tasks, the duration and scope of its work, the powers granted thereto, the responsibilities entrusted thereto, and the BOD's oversight mechanism therefor.
- 7) Each committee shall be deemed liable for its actions before the BOD, without prejudice to the responsibility of the BOD for such actions and the powers or authorities delegated thereto.
- 8) The heads of the committees or their representatives from among their members shall attend the general assemblies to answer the shareholders' questions.
- 9) The members of the committees or the parties related thereto, when issuing or renewing any insurance policy from the company, shall pay the due premium and disclose the same to the BOD immediately as per the statutory requirements. Such insurance policy shall be dealt with and quoted or any claim related to such documents as per the regulations applicable to customer claims and without preferential treatment, and the statutory controller shall be notified of any compensation due to the member.
- 10) The company may not provide a cash loan of any kind to members of the committees, or guarantee any loan contracted by one or more of them with third parties.
- 11) The committees of the BOD may seek the assistance of any advisory body from outside the company to carry out specific tasks in order to assist them in performing their work.

I. Audit Committee:

Article 45: Formation of the Committee:

(a) The Audit Committee shall be an independent committee that is directly linked to the company's BOD and is liable for monitoring the performance and application of the company's internal control regulations, ensuring the efficiency and effectiveness of the regulations, verifying the implementation of decisions related to internal control, and ensuring compliance with the cooperative insurance companies' control system and its executive regulations. Laws, regulations and other relevant instructions in addition to the terms of reference set forth later in this chapter.

(b) The BOD shall obtain a written NOC from the Saudi Central Bank to select the members of the Audit Committee, and the Audit Committee shall be formed by a resolution passed by the Ordinary General Assembly, provided that the number of its members is not less than three and not more than five of the independent BOD members, and that most of them shall be from outside the BOD, whether shareholders or others. The resolution shall specify the tasks of the committee, the controls for its work, and the remuneration of its members.

(c) The member of the BOD nominated for membership in the Committee shall be independent.

(d) A member of the audit committee shall not be a member of the BOD or the audit committee of any other company operating in the insurance sector in Saudi Arabia.

(e) The committee member shall not be one of the company's executive directors, employees, advisors, BOD members, directors, employees, advisors or employees of any of the parties related to the company, including but not limited to:

1. Main shareholders or founders.
2. External auditors
3. Suppliers.
4. Company clients.
5. Legal persons who have a financial or commercial relationship or first-degree kinship with the company's BOD or the company's executive employees.

(f) A person who worked during the past two years within executive or financial management of the company, or with the company's auditor, shall have no right to be a member of the audit committee.

(g) The member of the audit committee shall have reasonable knowledge of the financial and accounting rules, and it is preferable that he has an appropriate scientific qualification in this field. The BOD shall ensure that members of the Audit Committee are qualified to fulfill their responsibilities, and at least two members of the Committee, including the Chairman of the Committee, shall have recent and relevant experience in the field of accounting and financial management.

Article 46: Expiry of Membership

(a) The membership of the Audit Committee shall terminate with the expiry of the term of membership of the BOD, and the committee or one of its members may be renewed for another three years for one time only. The BOD may appoint new members to the Audit Committee in the event of electing a new BOD after obtaining a written NOC from the Saudi Central Bank, and the appointment shall be as per

what is stated in Paragraph (a) of Article 45 of such Regulations. The membership of the Audit Committee also terminates immediately if there is any change that would violate the membership conditions contained in the regulations of audit committees in insurance and reinsurance companies issued by the Saudi Central Bank or any other laws, regulations, instructions or decisions issued by the competent authorities. A member of the Audit Committee shall inform the company in writing as soon as this change occurs. A member of the Audit Committee shall not be entitled to attend any meeting of the Committee held after the date of the change.

(b) The BOD, after obtaining NOC from the Saudi Central Bank, may dismiss any of the members of the Audit Committee in the event of losing the conditions of membership or committing a violation of the provisions of the Regulations for Audit Committees in Insurance and Reinsurance Companies, the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, or the provisions of the Companies Law or the provisions of the regulations and other relevant instructions.

(c) A member of the Audit Committee may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable to the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and provide the Saudi Central Bank with a copy of the resignation request within five working days from the date thereof.

(d) A member shall be deemed to have resigned from the membership of the Audit Committee if he fails, without an excuse acceptable to the BOD, to attend the meetings of the Audit Committee for more than three consecutive sessions.

Article 47: Vacancy in the Committee

If the position of a member of the Audit Committee becomes vacant during the term of membership, the BOD shall appoint, within a maximum period of one month from the vacancy of this position - after obtaining written NOC from the Saudi Central Bank - another member in the vacant position, provided that the appointment is presented to the General Assembly in its first meeting, and the new member completes the term of the previously appointed member.

Article 48: Audit Committee Action Plan

The audit committee shall develop a work guide approved by a resolution passed by the BOD that includes the rules, responsibilities and obligations of the audit committee. The audit committee shall also develop a detailed annual work plan that includes the main topics that it shall discuss during the year and the dates of its meetings.

Article 49: Appointment of Committee Chairman and Secretary

(a) The BOD shall appoint one of the members of the Audit Committee as its chairman after obtaining a written NOC from the Saudi Central Bank. It may also choose from among its members or from among the company's employees a

secretary for the committee who shall prepare the minutes of its meetings and schedules its dates in coordination with the committee chair, and shall undertake administrative work, documenting and keeping the minutes of the Audit Committee's meetings in a special record therefor. The Secretary of the Audit Committee shall not be entitled to be a secretary of any other committee of the BOD.

(b) The Chairman of the BOD shall not be entitled to be a member or chair of the Audit Committee.

(c) The Chairman of the Audit Committee shall not be entitled to have a kinship, financial or commercial relationship with any member of the BOD.

(d) The chairman of the committee shall not be entitled to have a relationship with the company's senior management that may affect his independence.

Article 50: Convening Meetings, Quorum and Committee's Decisions

(a) The committee shall meet at a call of its chairperson, and the committee's meeting is not valid unless attended by majority of its members, and a member of the committee shall not be entitled to delegate someone else to attend the committee's meetings.

(b) The Audit Committee shall hold at least six meetings per year, including the annual meeting with the BOD. The Audit Committee may, when necessary, hold other meetings in response to any of the following, for example, but not limited to:

(1) A call of the Chairman of the BOD.

(2) Cases in which the external or internal auditor, compliance officer or actuarial expert calls a meeting if needed.

(3) Meetings on other matters such as:

- Financial and audit matters.
- Systemic issues.
- Conflict of interest.
- Code of professional and ethical conduct.

(c) The Audit Committee invites whomever it deems appropriate from inside or outside the company to attend its meetings if need be.

(d) The decisions of the committee are issued by majority of the members present, and when the votes are equal, the vote of the chairman of the committee is considered casting, and it is not permissible to vote on its decisions on behalf or by proxy of one of the members. It is signed by the head of the committee and its secretary.

Article 51: Powers of the Committee

The Audit Committee may communicate directly with the BOD and senior management in the company, all employees, committees, legal advisors, internal and external auditors at the head office and/or branches of the company, as well as other parties related to the company. its records and documents and request any clarification or statement from the members of the BOD or the executive management, and it may ask the BOD to invite the company's general assembly to convene if the BOD obstructs its work or the company suffers serious damage or losses.

Article 52: Function of the Committee

The Audit Committee shall be responsible for monitoring the company's business and verifying the integrity of reports, financial statements, and internal control regulations. The duties of the committee shall include, in particular, the following:

(a) Financial Reports:

- 1) Examining the annual and interim financial statements of the company before approving them and presenting them to the BOD and making recommendations thereon, in order to reach a conviction that they do not include any incorrect phrases, statements or information of relative importance, and that no data, information or amounts of relevance have been omitted from such statements, and that no data, information or amounts of relative importance have been deleted from such statements, the deletion of which results in the financial statements being misleading and to ensure their integrity and transparency.
- 2) Expressing a technical opinion - at the request of the BOD - on whether the BOD's 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 strategies.
- 3) Examining any important or unfamiliar issues included in the financial reports.
- 4) Carefully researching any issues raised by the company's financial manager, or whoever undertakes his duties, the company's compliance officer, or the auditor.
- 5) Checking the accounting estimates in the material issues contained in the financial reports.
- 6) Examining the accounting policies used in the company and expressing an opinion and recommendation to the BOD in this regard, taking into account the appropriateness of the accounting policies for the nature of the company's business, its impact on the company's financial position, and the results of its business.
- 7) Discussing the preliminary annual and quarterly financial statements with the external auditors and the company's senior management before issuing them.

(b) Internal Audit:

- 1) Overseeing and supervising of the company's internal audit department for the purpose of verifying its effectiveness in carrying out the tasks and tasks assigned thereto by the BOD.
- 2) Examining the company's risk management regulations and evaluating the effectiveness of the company's assessment of the important risks that it may be exposed to and the steps taken by the company's management to monitor and confront such risks.
- 3) Examining the audit plan for the internal auditors and giving their comments thereon.
- 4) Examining the internal audit reports and following up the implementation of the corrective measures for the remarks contained therein, and submitting recommendations regarding them to the BOD.

- 5) Ensuring the independence of the members of the BOD and the senior management of the company.
- 6) Ensuring the independence of the internal audit department or the internal auditor in the performance of their tasks, and verifying that there is no restriction on their work or the existence of anything that could negatively affect their work.
- 7) Appointing and dismissing the director of the internal audit department or the internal auditor after obtaining a written NOC from the Saudi Central Bank.
- 8) Determining the monthly salary, incentive bonus and other rewards for the internal audit department or the internal auditor in line with the internal regulations of the company approved by the BOD.
- 9) Examining the reports of the actuary and making recommendations thereon to the BOD.

(c) Regulatory Control and Compliance:

- 1) Examining and approving the compliance plan and following up on its implementation.
- 2) Verifying the company's compliance with the relevant laws, regulations, policies and instructions, and ensuring that the company does not violate any of them.
- 3) Ensuring the company's commitment to implementing the actuarial expert's suggestions and recommendations when they are mandatory as per the regulations and instructions issued by the Saudi Central Bank and the relevant supervisory and supervisory authorities.
- 4) Reviewing and following up the reports issued by the relevant supervisory and supervisory authorities and submitting a vote on them to the BOD.
- 5) Reviewing the contracts and transactions proposed to be conducted by the company with related parties and present its views in this regard to the BOD.
- 6) Appointing and dismissing the Director of the Compliance Department or the Compliance Officer after obtaining the Saudi Central Bank's NOC in writing.
- 7) Ensuring the independence of the Compliance Department or the Compliance Officer in performing their duties, and verifying that there is no restriction on their work or the existence of anything that could negatively affect their work.
- 8) Determining the monthly salary, incentive bonus and other rewards for the Compliance Department or the Compliance Officer in line with the internal regulations of the company approved by the BOD.
- 9) Following up the important lawsuits filed by or against the company with the Compliance Department or the Compliance Officer and submitting reports thereon to the BOD.
- 10) Raising the matters it deems necessary to take action against to the BOD, and making recommendations for the actions to be taken.

(d) Auditor:

- 1) Recommending the BOD to nominate and dismiss auditors, determine their fees and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contract, and this includes ensuring that

the nominated external auditors have the necessary expertise to review the business of insurance and/or reinsurance companies.

2) Ensuring that the scope of the external audit includes several matters, including but not limited to:

(a) Evaluating the internal control system, including the accounting system, from both the theoretical and practical perspectives.

(b) Conducting tests on a selected sample of the company's financial operations.

(c) Contacting the company's debtors and creditors or others for the purpose of confirming balances or for other purposes.

(d) Monitoring the inventory operations, including what is carried out in the company's branches.

(e) Complying with the audit standards adopted in the Kingdom for the purpose of verifying that the financial statements as a whole:

1. Justly clarify the company's financial position and the results of its activities for the fiscal year ending on that date shall be fairly shown in light of the presentation and disclosure of the information contained in the financial statements as per generally accepted accounting standards and appropriate to the company's circumstances.

2. comply with the requirements of the Companies Law, the Company's Articles of Association, and all relevant regulations regarding the preparation and presentation of financial statements.

(f) Inform the company's officials in writing of the comments made to the accountant when performing the audit.

3) The Audit Committee shall follow up the work of certified accountants and approve any work outside the scope of the audit work they are assigned to while performing the audit work.

4) The committee shall verify the auditor's independence, objectivity and fairness, and the effectiveness of audit work, taking into consideration the relevant rules and standards.

5) The committee shall be the link between the external auditor and the BOD, enabling the external auditor to carry out his work free from any restrictions or influences by the BOD and the company's management

6) Reviewing and examining the auditor's audit plan and its work, and verify that it has not submitted technical or administrative works that are outside the scope of audit work, and express its views and observations in this regard.

7) Examining the chartered accountant's notes on the financial statements and reports and following up on what has been done thereon.

8) Answering the company's auditor's inquiries.

9) Ensuring the independence of the company's external auditor and the extent of his commitment to impartiality and objectivity when presenting audit evidence and evidence and when reaching an opinion on the financial statements.

10) Examination of the scope and method of the external auditor's work and the extent to which it coordinates its activities with that of the company's internal audit department, and the lack of duplication between its tasks and those of the internal audit.

- 11) Ensuring the coordination of the external audit work in the event that there is more than one external auditor of the company.
- 12) Meeting with the external auditor to discuss the company's financial statements and to ensure that they state the fair financial position of the company and what he sees as observations in this regard.
- 13) Reviewing the financial disclosure submitted by the company's management to the external auditor, and expressing its views on it to the BOD.
- 14) Considering the performance of the external auditor and recommending to the BOD to re-assign him or to terminate the contract with him.
- 15) Considering the divergence of views that may arise between the external auditor and the company's management.

Article 53: Seeking the Assistance of Consulting Entities

The Audit Committee may seek the assistance of any advisory body from outside the company to carry out specific tasks in order to assist it in performing its work.

Article 54: Appointing the Company's Auditors

(a) The company's management shall invite certified public accountants who have been nominated by the audit committee. Such invitation shall contain the scope of the task indicated in the second paragraph of item (d) of Article 51, in addition to the conditions and obligations that the company deems necessary to complete the audit process. The BOD shall enable such accountants to view the data and clarifications they require in order to identify the size and nature of the company's operations. Each accountant shall submit an offer to audit the company's accounts and an overview of his office, including in particular the following:

- 1) The scientific and professional qualification of the members of the work team that shall conduct the review, and their names and nationalities.
- 2) A clarification on the quality control of work in his office.
- 3) The entities that he intends to hire for the purposes of auditing the company's accounts (if any), the aspects in which they shall participate, the nature of their participation, their qualifications, and the experiences of the individuals who shall be used in this regard.
- 4) The office's previous experience in auditing similar companies.
- 5) The size and indication of the branches of the office, and the number of technical staff working in the office.
- 6) The number of hours prescribed for each member of the work team (partner, audit manager...etc.)
- 7) The kinship relationship between the chartered accountant, or the auditing team, and the members of the BOD and/or the senior executive management (if any), and the work relationship between the chartered accountant and the company, or any member of its BOD (if any).
- 8) The expected date of preparing his report on the company's financial statements.
- 9) Audit fees.

- (b) The company's management shall prepare a comparative table of the offers submitted by the certified accountants as per the data referred to in Article 23, and shall submit it to the Audit Committee, accompanied by the offers and statements submitted by the certified accountants.
- (c) The Audit Committee shall examine the comparative table, the offers submitted by the legal accountants, and the data attached thereto, and it may invite the audit team of each office separately to a meeting during which the presentation submitted by them shall be discussed.
- (d) The committee shall prepare a letter in which it is presented to the BOD, including a summary of its analysis of the submitted offers, and nominate one or more chartered accountants to audit the company's accounts and state the basis on which the nomination was made.
- (e) The company's BOD shall present to the ordinary general assembly the recommendation submitted thereto by the audit committee, indicating the names of the certified accountants who submitted their offers, and then their nomination by the audit committee to audit the company's accounts, and a statement of the auditing fees and the basis for the nomination, and the number of candidates shall not be less than two auditors.
- (f) The Ordinary General Assembly shall appoint the company's auditors based on the nomination of the BOD with determining their remuneration and term of work and may reappoint them. The Assembly may also change them at any time without prejudice to their right to compensation if the change occurs at an inappropriate time or on an illegitimate ground.
- (g) The period of the audit conducted by the audit office shall not exceed five consecutive years, and a period of two years shall elapse before re-auditing.

Article 55: Remuneration of Audit Committee Members and Secretary:

- (a) A member of the Audit Committee shall be entitled to an attendance bonus for each of its sessions. The value of the remuneration is determined according to a policy approved by the BOD, so that it is acceptable in comparison with the remuneration of members of the BOD.
- (b) The resolution passed by the company's ordinary general assembly regarding the formation of the audit committee shall include the value of its members' remuneration.
- (c) The Secretary of the Audit Committee shall be entitled to a remuneration for the accomplishment of his duties for each of its sessions, and the value of the remuneration shall be determined by a resolution issued by the BOD.

Article 56: Responsibility of the Committee

The members of the Audit Committee shall be deemed liable before the Saudi Central Bank, the company's shareholders and the company's BOD for implementing the provisions of such Regulations of Audit Committees issued by the Saudi Central Bank, and for implementing the action plan of the Audit Committee.

Article 57: Conflict between the Audit Committee and the BOD:

If there is a conflict between the recommendations of the Audit Committee and the resolutions of the BOD, or if the BOD refuses to accept the Committee's recommendation regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance, or appointing the internal auditor, the BOD' report shall include the Committee's recommendation and its justifications, and the reasons for not taking them.

Article 58: Order of Notes submission:

The Audit Committee shall establish a mechanism that allows employees of the company to submit their observations regarding any abuse in financial or other reports in confidence. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the extent of the error or abuse and identifying appropriate follow-up procedures.

Article 59: Audit Committee's Report:

- a) The audit committee shall prepare a report that includes the following:
- 1- For its recommendations and opinion regarding the adequacy of the internal and financial control system and risk management in the company.
 - 2- Details of its performance of its functions and tasks stipulated in the Companies Law and its implementing regulations.
- b) The BOD shall deposit sufficient copies of the audit committee's report at the company's head office and publish it on the company's website and the market's website when the paper is published.
- b) The BOD shall keep sufficient copies of the audit committee's report at the company's head office and publish it on the company's website and the market's website when publishing the invitation to convene the general assembly, to enable shareholders who wish to obtain a copy of it, and a summary of the report is read during the assembly.

Article 60: Conflicts of Interest (Members of the Audit Committee):

- (a) A member of the Audit Committee shall not be entitled to have a direct or indirect interest in the business and contracts that are done for the company's account, and a committee member shall not be entitled to participate in any business that would compete with the company, or trade in any of the branches of the activity that he practices, otherwise The company could claim compensation from him, or consider the operations he conducted for his own account to have been conducted for the company's account.
- (b) The members of the Audit Committee or the parties related thereto, when issuing or renewing any insurance policy from the company, shall pay the due premium in full, and it shall be treated and quoted, or any claim related to such documents shall be as per the regulations applicable to customer claims and without preferential treatment, and the statutory controller shall be notified Any compensation due to the member.
- (c) The company shall not be entitled to provide a cash loan of any kind to members of the Audit Committee, or guarantee any loan contracted by one or more of them

with third parties, and any contract concluded in violation of the provisions of such regulations or the work regulations of the Audit Committee approved by the General Assembly shall be considered void.

II. The Executive Committee:

Article 61: Purpose:

The main purpose of the Executive Committee of the BOD shall be to assist the BOD with performing the activities and duties assigned thereto by the BOD, and to expand the scope of its work in specialized areas to facilitate the company's operations.

Article 62: Formation of the Committee

The BOD shall obtain a written NOC from the Saudi Central Bank for the appointment of the members of the Executive Committee, provided that the number of its members shall be no less than three and no more than five BOD members. The Executive Committee may consist of executive and non-executive members, and the term of its membership shall be linked to the term of the BOD.

Article 63: Appointing the Committee Chairman and Secretary

(a) The Executive Committee shall elect one of its members as its chairperson, and the BOD issues a resolution to appoint him after obtaining the Saudi Central Bank's NOC in writing. It may also choose from among its members or from among the company's employees a secretary for the Committee, who prepares the minutes of its meetings and schedules their dates in coordination with the Chairman of the Committee and undertakes the administrative work and documenting and keeping the minutes of the committee's meetings in a special register therefor, and its remuneration shall be determined by a resolution passed by the BOD.

(b) The Secretary of the Audit Committee may not be appointed as a Secretary of the Executive Committee

Article 64: Convening the Meeting and the Quorum

(a) The committee shall meet at a call of its chairperson, and the committee's meeting is not valid unless attended by majority of its members.

(b) The Committee shall meet periodically provided it shall be no less than six meetings per year, and the Committee may, when necessary, hold other meetings.

(c) The Committee may hold its meetings remotely and through electronic means such as telephone and video calls.

(d) The committee shall invite whomever it deems appropriate from inside or outside the company to attend its meetings if the need arises.

(c) Those other than members of the Committee shall not be entitled to attend the meetings of the Committee except upon an invitation therefrom.

Article 65: Committee Decisions

The decisions and recommendations of the committee shall be issued by majority of the present members, and in case of a tie, the vote of the committee chairman shall be considered a casting one.

Article 66: Duties & Responsibilities of the Committee

- (a) Assisting the BOD with performing the activities and tasks assigned thereto by the BOD to facilitate the operations and business of the Company.
- (b) Assisting the BOD with setting the company's main strategic plans and objectives and the necessary budgets to achieve that strategy and recommend to the BOD for approval.
- (c) The Committee, with the assistance of the BOD, reviews the company's performance strategy on a periodic basis to verify whether the company has achieved its goals in the short and long term.
- (c) The committee monitors the financial and operational performance of the company.
- (e) Monitor the technologies used in the company and recommend to the BOD to enhance and develop them whenever the need arises.
- (f) Assist the BOD in developing plans to define the company's vision and mission.
- (g) Ensure the implementation of the main policies of the company approved by the BOD.
- (h) Review the company's annual, periodic, or submitted work plan according to regulatory requirements, to propose its amendment and to recommend it to the BOD for approval.
- (i) Review the company's annual budget and recommending its approval to the BOD.
- (j) The committee shall be deemed liable for setting the processes, policies and executive procedures to be followed during the implementation of the daily operations in the company. such obstacles.
- (k) The committee shall explore means of business development in a cost-effective and efficient manner and to meet customer satisfaction.
- (l) The committee may review the capabilities of the strategic partners in any projects that the company wishes to enter or undertake.
- (m) In cases that require reorganizing the company, such as a merger, acquisition, or capital increase, the Executive Committee shall submit its recommendations to the BOD in this regard.
- (n) Perform any other tasks delegated to the Executive Committee by the BOD within the limits of its competence and in a manner that does not conflict with the applicable laws, regulations, instructions and circulars issued by the supervisory authorities.

Article 67: Powers of the Committee

The Executive Committee may directly communicate with the BOD, the senior management of the company, all employees, committees, legal advisors, internal and external auditors in the head office and/or branches of the company, as well as

other parties related to the company, and for this purpose, it may view its records and documents to facilitate carrying out its tasks entrusted thereto.

Article 68: Reports of the Executive Committee

The Executive Committee shall submit its reports to the BOD, provided that it includes, at a minimum, a summary of its work and the recommendations and decisions issued.

Article 69: Remuneration and Attendance Allowance:

A member of the Executive Committee shall be entitled to an attendance allowance for the sessions and remuneration as per remuneration policies of the members of the BOD, its committees, and the approved executive management.

Article 70: Evaluation of the Committee's Performance:

- (a) The committee evaluates its performance annually according to the form prepared for this and submits its evaluation to the BOD
- (b) The Nomination and Remuneration Committee shall periodically evaluate the performance of the members of the Committee.

Article 71: Expiry of Membership

- (a) The membership of the Executive Committee shall expire upon the expiry of the term of membership of the BOD, and the Committee or one of its members may be renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.
- (b) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.
- (c) A committee member may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable to the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and provide the Saudi Central Bank with a copy of the request Resignation within five working days of its date.
- (d) A member shall be deemed to have resigned from the membership of the Executive Committee if he fails, without an excuse acceptable to the BOD, to attend the meetings of the Committee for more than three consecutive sessions.

Article 72: Vacancy in the Committee

- (a) If the position of a member of the Executive Committee becomes vacant during the term of membership and this affects the fulfillment of the statutory limit for forming the committee, the BOD shall, within a maximum period of 30 working days, appoint a member, after obtaining a written NOC from the Saudi Central Bank.

(b) If the position of a member of the Executive Committee becomes vacant during the term of membership and does not affect the fulfillment of the statutory limit for forming the committee, the BOD may - after obtaining the Saudi Central Bank's NOC in writing - appoint another member in the vacant position.

III. Risk Management Committee:

Article 73: Purpose:

The main purpose of the Risk Management Committee of the BOD, is to assist the BOD in performing the activities and tasks as delegated thereto by the BOD, in particular with aspects related to risk management, including but not limited to, the responsibility of supervising and monitoring the management of risks to which the company is exposed and following up the implementation of the policy risk tolerance.

Article 74: Formation of the Committee

The BOD shall obtain the Saudi Central Bank's NOC in writing to appoint members of the Risk Management Committee who possess the relevant qualifications and experience, provided that the number of its members is not less than three and not more than five BOD members, and the Risk Management Committee may consist of executive members. and non-executive, and the term of its membership is linked to the term of the BOD.

Article 75: Appointment of the Chairman and Secretary of the Committee

The Risk Management Committee elects one of its members as its chairman, and the BOD issues a resolution appointing him after obtaining a written NOC from the Saudi Central Bank. The minutes of the committee's meetings shall be kept in a special register, and its remuneration shall be determined by a resolution passed by the BOD.

Article 76: Convening the Meeting and the Quorum

(a) The committee meets at the invitation of its chairperson, and the committee's meeting is not valid unless attended by majority of its members.

(b) The committee meets periodically, provided that it is not less than four meetings per year, and the committee may hold other meetings whenever the need arises.

(c) The Committee may hold its meetings remotely and through electronic means such as telephone and video calls.

(d) The committee invites whomever it deems appropriate from inside or outside the company to attend its meetings if the need arises.

(c) Non-members of the Committee shall not be entitled to attend the meetings of the Committee except upon an invitation therefrom.

Article 77: Committee Decisions

The decisions and recommendations of the committee are issued by majority of the members present, and when the votes are equal, the vote of the committee chairman is considered casting.

Article 78: Committee responsibilities and tasks:

- a) Determining the risks that the company may be exposed to, and maintaining an acceptable level of risks specific to the company.
- b) Overseeing risk management regulations and evaluating their effectiveness.
- c) Verifying the feasibility of the company's continuation and its successful continuation of its activities, with identification of the risks that threaten its continuity during the next twelve months.
- d) Developing a comprehensive risk management policy for the company, supervise its implementation, reviewing and updating it periodically, taking into account the relevant internal and external changes.
- e) Reviewing the risk management policies.
- h) Periodically reviewing and reassessing the level of the company's risk appetite, and the extent of its exposure to risks.
- f) Submitting detailed reports to the BOD about potential risks and giving recommendations on ways to manage them.
- g) Advising the BOD on matters relating to risk management.
- h) Ensuring the availability of adequate resources and regulations to manage risks.
- i) Reviewing the organizational structure of risk management and making recommendations in this regard prior to being approved by the BOD.
- j) Verifying the independence of risk management personnel from activities that may expose the company to risks.
- k) Verifying that the risk management staff understand the risks surrounding the company and working to raise awareness of the risk culture.
- l) Reviewing issues raised by the Audit Committee that may affect risk management in the company.

Article 79: Reports of the Risk Management Committee

The Risk Management Committee shall submit its reports to the BOD, provided that it includes, at a minimum, a summary of its work and the recommendations and decisions issued.

Article 80: Remuneration and attendance allowance:

A member of the Risk Management Committee shall be entitled to an attendance allowance for the sessions and remuneration as per the remuneration policies of the members of the BOD, its committees, and the approved executive management.

Article 81: Evaluation of the Committee's Performance:

- (a) The committee evaluates its performance annually according to the form prepared for this and submits its evaluation to the BOD
- (b) The Nomination and Remuneration Committee shall periodically evaluate the performance of the members of the Committee.

Article 82: Expiry of Membership

(e) The membership of Risk Management Committee shall terminate upon the expiry of term of the BOD's membership. The committee or one of its members may be

renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.

(f) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.

(g) A member of the committee may resign, provided that he shall submit his resignation application to the BOD one month prior to the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable before the company. The company shall notify the Saudi Central bank in writing of the resignation of the member and reasons for his resignation and shall provide the Saudi Central bank with a copy of resignation application within five working days of the date thereof.

(h) A member is deemed to have resigned from the committee's membership if he fails, without an excuse acceptable to the BOD, to attend the committee's meetings for more than three consecutive sessions.

Article 83: Vacancy in the Committee

(c) If the position of one of the members of the Risk Management Committee becomes vacant during the term of membership and this affects the fulfillment of the statutory limit for forming the committee, the BOD shall, within a maximum period of 30 working days, appoint a member, after obtaining the Saudi Central Bank's written NOC.

(d) If the position of a member of the Executive Committee becomes vacant during the term of membership and does not affect the fulfillment of the statutory limit for forming the committee, the BOD may - after obtaining the Saudi Central Bank's NOC in writing - appoint another member in the vacant position.

IV. The Nomination and Remuneration Committee

Article 84: Purpose:

The main purpose of the BOD Nomination and Remuneration Committee is to set criteria and policies for candidacy for BOD membership, review candidacy requests, and set policies and standards for remuneration and remuneration of BOD members and senior executives.

Article 85: Formation of the Committee

a) The Nomination and Remuneration Committee shall be composed of at least three members, chosen by the company's BOD for a period of no more than three years and not less than one year, and that two independent members shall be among the appointed members.

b) A member of the Nomination and Remuneration Committee shall not be entitled to be an executive member of the BOD, or anyone who performs technical or administrative work in the company, even as a matter of consultation.

Article 86: Appointment of the Chairman and Secretary of the Committee

The committee shall choose from among its members a chairman. This committee cannot be presided over by the chairman of the BOD. It may also appoint from among its members or from the company's employees a secretary who prepares the minutes of its meetings and schedules their dates in coordination with the chairman of the committee. Such secretary shall carry out the administrative work, documenting and maintain the minutes of the audit committee's meetings in a special record therefor. This committee cannot be presided over by the chairman of the BOD.

Article 87: Convening the Meeting and the Quorum

a) The committee shall meet upon the convening notice served by its chairman, and the committee's meeting is not valid unless attended by majority of its members. A member of the committee may not authorize someone else to attend the committee's meetings.

b) The Committee may hold its meetings remotely and through electronic means such as phone and video calls

c) The Nomination and Remuneration Committee shall hold its meetings periodically and whenever needed, provided that the Committee shall hold at least two meetings.

d) The Nomination and Remuneration Committee may invite whomever it deems appropriate from within the company to attend its meetings if needed.

Article 88: Committee Decisions

The Committee decisions shall be issued by majority of the members present, and when the votes are equal, the vote of the committee chairman is considered casting, and it is not permissible to vote on its decisions for or on behalf of one of the members. The committee's deliberations shall be recorded by its secretary provided that it includes the opinions of all parties in the minutes of the meeting, and its decisions in minutes signed by the committee's chairman and secretary.

Article 89: Duties and Responsibilities of the Nomination and Remuneration Committee

(a) The duties of the committee with regards to nominations shall be as follows:

1) Proposing clear policies and criteria for membership in the Board of Directors (BOD) and Executive Committees.

2) Recommending to the BOD for nomination for BOD membership and its committees in accordance with the legal requirements, policies, and approved standards, considering not to nominate any person who was previously convicted of dishonesty. When nominating BOD members, the committee shall consider the relevant bylaws, regulations and instructions issued by the supervisory authorities, provided that the number of candidates for the BOD whose names are presented to the general assembly exceeds the number of seats available so that the assembly may have the opportunity to choose from among the candidates.

3) Prepare a job description of the capabilities and qualifications required for membership in the BOD and its committees and occupying executive management positions.

- 4) Determining the time that the member shall allocate for the work of the BOD.
 - 5) Annually reviewing the necessary needs or appropriate expertise for the BOD membership and its committees and the functions of the executive management.
 - 6) Determining the time that the member shall allocate for the work of the BOD.
 - 7) Evaluating and reviewing the structure and composition of the BOD and its committees, identifying their weaknesses on a regular basis, and suggesting the necessary steps to address them.
 - 8) Evaluating the performance of the BOD members and BOD committees periodically.
 - 9) Giving recommendation as to the appointment and dismissal of senior management members.
 - 10) Establishing special procedures in case the position of a BOD member or senior executives becomes vacant.
 - 11) Determining the weaknesses and strengths of the BOD and proposing solutions to address them in line with the company's interest.
 - 12) Evaluating and monitoring the independence of the BOD members and BOD committees and ensure that there is no COI, including the annual verification of the independence of the independent members.
 - 13) Supervising the induction program and periodic training for the BOD members
 - 14) Giving Recommendation to the BOD as to the issues related to nominations.
- (b) The duties of the committee with regards to remuneration shall be as follows:
- 1) Preparing a clear policy for the remuneration of the BOD members and the committees of the Board of Directors and the Executive Management, submitting the same to the BOD for consideration in preparation for its approval by the General Assembly, provided that such policy considers following standards related to performance, disclosure, and checking its implementation.
 - 2) Reviewing compensation plans for members of senior management.
 - 3) Clarifying the relationship between the remunerations granted and the applicable remunerations policy and indicating any material deviation from this policy.
 - 4) Periodically reviewing the remuneration policy and evaluating its effectiveness in achieving the sought goals.
 - 5) Recommending to the BOD as to the remuneration of the BOD members and BOD committees and senior executives of the company in accordance with the approved policy.
 - 6) Recommending to the BOD as to issues related to remuneration.

Article 90: Reports of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall submit its reports to the BOD. Such reports shall contain, at a minimum, a summary of its work and the recommendations and decisions made.

Article 91: Remuneration and Attendance Allowance:

A member of the Nomination and Remuneration Committee shall be entitled to an attendance allowance for the sessions and a remuneration in accordance with the

remuneration policies of the BOD members, BOD committees, and the approved executive management.

Article 92: Expiry of Membership

(a) The membership of the Nomination and Remuneration Committee ends with the expiry of the BOD membership term. The committee or one of its members may be renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.

(b) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.

(c) A committee member may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he will be deemed liable before the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and provide the Saudi Central Bank with a copy of the resignation request within five working days of the member's resignation date.

Article 93: Vacancy in the Committee

(A) If the position of one of the members of the Nomination and Remuneration Committee becomes vacant during the term of membership and this affects the satisfaction of the statutory limit for forming the committee, the BOD shall, within a maximum period of 30 working days, appoint a member, after obtaining the Saudi Central Bank's written NOC.

(B) If the position of one of the members of the Nomination and Remuneration Committee becomes vacant during the term of membership and does not affect the satisfaction of the statutory limit for forming the committee, the BOD may -after obtaining the Saudi Central Bank's NOC in writing- appoint another member to the vacant position.

V. Investment Committee:

Article 94: Purpose:

The main purpose of the investment committee of the BOD shall be to assist the BOD with performing the activities and duties assigned thereto by the BOD, particularly with aspects related to investment, for example, but not limited to, the investment strategy, evaluation of the investment offers and investment opportunities of the company,

Article 95: Formation of the Committee

The BOD shall obtain the Saudi Central Bank's NOC in writing to appoint the members of the Risk Management Committee who possess the relevant qualifications and experience, provided that the number of its members shall not be

less than three and not more than five BOD members. The Investment Committee may consist of executive and non-executive members. and the term of its membership is linked to the term of the BOD.

Article 96: Appointment of the Chairman and Secretary of the Committee

The Investment Committee shall elect one of its members as its Chairman, and the BOD shall pass a resolution appointing him after obtaining a written NOC from the Saudi Central Bank. It may also choose from among its members or from among the company's employees a secretary for the Committee who shall prepare minutes of its meetings and schedule its dates in coordination with the Chairman of the Committee, and shall undertake the administrative work, documenting and keeping minutes of the committee's meetings in a special register therefor, and its remuneration shall be determined by a resolution passed by the BOD.

Article 97: Convening the Meeting and the Quorum

- (a) The committee shall meet when the call notice is served by its chairman, and the committee's meeting shall not be valid unless attended by majority of its members.
- (b) The committee shall periodically meet provided it shall be no less than four meetings per year, and the committee may hold other meetings whenever needed.
- (c) The Committee may hold its meetings remotely and through electronic means such as phone and video calls.
- (d) The committee shall invite whomever it deems appropriate from inside or outside the company to attend its meetings if need be.
- (e) Those other than members of the Committee shall not be entitled to attend the meetings of the Committee except when call notice is served thereto.

Article 98: Duties and Responsibilities of the Committee:

The duties and responsibilities of the Investment Committee shall be in accordance with the laws and regulations promulgated by the Saudi Central Bank, including but not limited to:

- (a) Reviewing and approving the investment strategy and policies submitted by the executive management.
- (b) Supervising the implementation of the investment strategy and policies and ensuring compliance with them.
- (c) Reviewing and evaluating investment offers and making decisions related to the company's investments within the limits of the powers granted by the BOD.
- (d) Appointing investment managers inside and outside the Kingdom, evaluating their services, terminating their duties, and determining their fees.
- (e) Setting investment limits inside and outside the Kingdom in accordance with the regulations and instructions issued by the Saudi Central Bank.
- (f) Supervising adherence to investment limits in each investment performance.
- (g) Reviewing and evaluating the company's existing investments through periodic reports thereon.
- (h) Informing the BOD of the work it does, the results it reaches, or the decisions it takes.

Article 99: Reports of the Investment Committee

The Investment Committee shall submit its reports to the BOD. Such reports shall contain, at a minimum, a summary of its work and the recommendations and decisions issued.

Article 100: Remunerations and Attendance Allowance:

A member of the Investment Committee shall be entitled to an attendance allowance for the sessions and a remuneration in accordance with the remuneration policies of the BOD members, BOD committees, and the approved executive management.

Article 101: Evaluation of the Committee's Performance:

(a) The committee evaluates its performance annually according to the form prepared for this and submits its evaluation to the BOD

(b) The Nomination and Remuneration Committee shall periodically evaluate the performance of the members of the Committee.

Article 102: Expiry of Membership

(a) The membership of the Investment Committee shall expire upon the expiry of the term of BOD membership, and the Committee or one of its members may be renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.

(b) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.

(c) A member of the committee may resign provided he shall submit his resignation application to the BOD one month prior to the effective date of his resignation and at an appropriate time accepted by the BOD. Otherwise, he shall be deemed liable before the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and reasons for his resignation and shall provide the Central Bank with a copy of the resignation application within five working days from the member's resignation date.

(d) A member shall be deemed to have resigned from the committee's membership if he fails, without an excuse acceptable to the BOD, to attend the committee's meetings for more than three consecutive sessions.

PART V: Remuneration Policy for Board Members, Board Committees and Senior Executives

Chapter One: Remuneration and Compensation Policy:

Article 103: Objectives and Foundations of the Policy:

- 1- Motivating to lead the company successfully in a positive manner for the company and its shareholders.
- 2- Achieving long-term growth in line with the company's strategy and achieving its objectives.
- 3- Ensuring that there is transparency and fairness in remuneration.
- 4- Contributing to attracting qualified cadres to the BOD, sub-committees and senior management, and employees of all grades.
- 5- Taking into consideration the best practices in determining the remunerations.
- 6- The BOD shall ensure that the level and structure of remuneration and compensation are fair and consistent with the objectives of the company, and that it does not cause a COI that shall adversely affect the company and its shareholders and achieve the interests of the insured and the shareholders.

Article 104: Remuneration of Board Members, Sub-Committees and Senior Executives:

First: Remuneration of Board Members:

- 1- The remuneration of the BOD members shall be in accordance with the provisions of the company's AOA and the relevant laws and regulations, provided that the BOD adopts the policy of remuneration and compensation for the BOD members, the sub-committees and the executives in accordance with the legal requirements, and in line with the company's strategy and achieving its objectives.
- 2- The remuneration of the BOD members shall be a certain amount, attendance allowance for sessions, in-kind benefits, or a certain percentage of the net profits, and two or more of these benefits may be combined.
- 3- In the event the company achieves profits, a percentage equivalent to (10%) of the rest of the net profit may be distributed after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law, the Companies Law and this Law, and after distributing a profit to shareholders of no less than (5%) from the paid-up capital of the company, provided that the entitlement to this bonus is proportional to the number of sessions attended by the member, and any assessment to the contrary is void.
- 4- In all cases; the sum of what a BOD member receives in terms of financial or in-kind remunerations and benefits shall not exceed five hundred thousand Saudi riyals annually (with exception of members of the Audit Committee), in accordance with the regulations set by the Capital Market Authority.
- 5- The report of the BOD to the Ordinary General Assembly shall contain a comprehensive statement of all the bonuses, expenses allowances and other benefits received by the BOD members during the financial year. In addition, it shall also contain a statement of what the BOD members received in their capacity as workers or administrators, or what they received in return for technical or administrative work or consultancy. Furthermore, it shall include a statement of the number of BOD sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.
- 6- A BOD member may not receive commissions or remunerations for the works that they contribute to concluding for the benefit of the company, and no portion of his

remuneration or compensation may be linked directly to the company's business volume (insurance premiums).

7- The remuneration may be suspended or refunded if it appears that it was decided based on inaccurate information provided by a BOD member.

8- The recommendation to the BOD about the remuneration of the BOD members shall be through the Nomination and Remuneration Committee and submit them to the General Assembly for approval.

9- A BOD member shall not be entitled to any remuneration in the event that he does not attend less than two-thirds of the meetings during the year or if he is absent for three consecutive sessions.

10- The remuneration of a BOD member is calculated according to the following criteria:

a- Performance and effectiveness.

b- Duties and Responsibilities.

c- Membership and chairmanship of the sub-committees,

d- The date of joining and the date of expiry of membership.

E- Active attendance at meetings.

F- Number of meetings attendance

g- Attending the meetings of the general assemblies of shareholders.

11- Disclosure of the remuneration and compensation paid to BOD members shall be in accordance with what is stipulated in Article 93 of the Corporate Governance Regulations issued by the Capital Market Authority

Second: Remuneration of Members of Board Committees:

1- The remuneration of the members of the Audit Committee shall be in accordance with the resolution issued by the General Assembly when it is formed.

2- A committee member from within or outside the BOD shall be entitled to a flat remuneration due to his membership in the committees of the Board of Directors provided that it is within the limits stipulated in the company's AOA and other relevant laws and regulations.

3- It is not permissible for a member of any of the committees of the Board of Directors to receive commissions or remunerations in exchange for the works that they contribute to concluding for the benefit of the company, and no part of his remunerations or compensation may be linked directly to the company's business volume (insurance premiums).

4- The remuneration may be suspended or refunded if it appears that it was decided based on inaccurate information provided by a member of the committee emanating from the BOD.

5- Disclosure of remunerations and compensation paid to committee members shall be in accordance with what is stipulated in Article 93 of the Corporate Governance Regulations issued by the Capital Market Authority.

6- The committee member's remuneration shall be calculated from within the BOD or outside the BOD according to the following criteria:

a. Performance and effectiveness.

b. Duties and Responsibilities.

- c. Membership and chairmanship of the sub-committees.
- d. The date of joining and the date of expiry of membership.
- e. Active attendance at meetings.
- f. Number of meetings attendance

Third: Executive Management Remunerations:

1- Components of wages and remunerations:

a. Fixed Components:

Basic wage: The basic wage for the executive management shall be determined according to the company's wage scale provided that in determining the wage, scientific and professional qualifications, practical experience, the nature of the job, the tasks and responsibilities assigned thereto, and in accordance with the prevailing wages in the market, in addition to other allowances according to the company's internal policy, such as housing and transportation allowances.

b. Variable Components:

Performance-Based Remuneration; shall include performance remuneration that is given discretionarily to motivate senior executives or executive management, and based on the performance of the company in general and the performance of the individual manager provided that the following criteria shall be observed:

- 1- Achieving the target profit.
- 2- Executing the assigned projects and works as required.
- 3- Meeting all regulatory requirements.
- 4- Reducing expenses in proportion to the volume of production.
- 5- Extraordinary achievements during the fiscal year.

2- Controls for the Disbursement of Executive Management Remuneration:

1- Performance-based remuneration shall be determined according to the evaluation prepared by the Nomination and Remuneration Committee and based on the basic salary and not on the total income or a percentage of operating profits.

2- It shall not be permissible for a member of the senior management (with exception of sales managers) to receive commissions or remunerations for the work that they contribute to make on behalf of the company, and it is not permissible to link any part of their remunerations and compensation (with exception of sales managers) to the company's business volume (insurance premiums) directly.

3- The BOD shall be recommended the executive management remuneration through the Nomination and Remuneration Committee.

4- It is permissible to stop the payment of the remuneration or to recover it if it is found that it was decided on basis of misinformation provided by the member of the executive management.

5- Remunerations and compensations paid to five senior executives who received the highest remunerations from the company, provided that they include the CEO and the financial manager, shall be in the BOD' report and in accordance with what is stipulated in Article 93 of the Corporate Governance Regulations issued by the Capital Market Authority.

Chapter Two: General Provisions:

Article 105: Evaluation System:

1- The company shall have a system for evaluating the performance of its employees at all levels in an objective and systematic manner and to be built over the long term.

2- The Nomination and Remuneration Committee shall ensure that an annual review of the remuneration and compensation practices in the company is conducted by the Internal Audit Department or a specialized external body without interference from the senior company's management.

3- The company shall have a structure for remunerations and compensations for employees of the control departments (the Internal Audit Department, and the Compliance Department) in a way that enhances the impartiality and independence of these jobs.

Part VI: Conflict of Interest Policy

Chapter Six: Conflict of Interest Policy

Article 106: Scope of Conflict of Interest

The concept of Conflict of Interest (COI) shall be based on the following basic elements:

1. A COI arises when it is proven that a BOD member, or a member of any of its committees, or any of the employees of the company, or its subsidiaries, is related to any business, or has a personal interest, or an organizational or professional interest, in any work or business that may directly or indirectly affect the objectivity of the decisions of that member or employee, or his ability to perform his duties and responsibilities towards the company or one of its subsidiaries.

2. A COI also arises when it is proven that a BOD member, or one of the employees of the company, or its subsidiaries, receives or obtains personal gains from any other party, whether directly or indirectly, benefiting from his position and his participation in the company's management.

3. Every BOD member, and every employee of the company and its subsidiaries, shall not use the company's assets, or its various resources, for any personal interest, or to exploit them for his own benefit, or other goals that do not fall within the scope of the company's business and work.

Article 107: Avoiding Conflicts of Interest:

a) A BOD member shall

1. Exercise his duties honestly and impartially, and to put the interests of the company ahead of his personal interests, and not to use his position to achieve private interests.
2. Avoid cases of COI and inform the BOD of cases of conflict that may affect its impartiality when considering the issues presented to the BOD. The BOD shall not involve this member in the deliberations, and not count his vote on these topics in the meetings of the BOD and shareholders' assemblies.
3. Maintain confidentiality of information related to the company and its activities and not to disclose it to any person.

b) A BOD member shall not:

1. Vote on the resolution passed by the BOD or the General Assembly in the business and contracts made for the account of the company if he has a direct or indirect interest in them.
2. Exploit or benefit, directly or indirectly, from any of the company's assets, information or investment opportunities offered to him in his capacity as a BOD member, or offered to the company, including investment opportunities that fall within the company's activities, or that the company wants to benefiting therefrom, and the prohibition applies to a board member who resigns in order to take advantage of investment opportunities - directly or indirectly - that the company wishes to benefit from and which he learned about during the term of his membership in the BOD.

Article 108: Candidate Disclosure of COIs:

Whoever wishes to nominate himself for membership in the BOD shall disclose to the BOD and the General Assembly any cases of COI - in accordance with the procedures established by the Authority - including:

- 1- Having a direct or indirect interest in the business and contracts made for the account of the company for which he wishes to run for its BOD.
- 2- His participation in a business that would compete with the company, or compete with one of the branches of the business it is engaged in.

Article 109: Company Competition Controls:

Taking into account what is stated in Article 72 of the Companies Law and the relevant provisions in this Regulation, the Corporate Governance Regulations issued by the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Saudi Central Bank, if a BOD member wishes to participate in a business that would compete with the company, or compete with it in one of the branches of the business that it is engaged in, the following shall be observed:

- 1- Reporting the BOD of the competing businesses that he wishes to practice and recording such report in the minutes of the BOD meeting.

2- The stakeholder member not participating in voting on the resolution passed in this regard in the BOD and the shareholders' assemblies.

3- The Chairman of the BOD shall inform the Ordinary General Assembly, when held, of the competing business practiced by the BOD member, after the BOD verifies that the BOD member competes with the company's business or with one of the branches of the business it is engaged in, according to the criteria issued by the General Assembly of the company, based on the proposal of the BOD. The same shall be published on the company's website provided that these businesses shall be verified annually.

4- Obtaining a license from the company's ordinary general assembly that allows the member to practice competing businesses.

Article 110: Concept of Competition Business:

The following are included in the concept of participating in any business that would compete with the company's business or compete with the company in one of the branches of the business it is engaged in:

1) A BOD member establishes a company or a sole proprietorship or owns an influential percentage of shares or stakes in a company or other establishment that engages in a business similar to that of the company or its group.

2) Accepting membership in the BOD of a company or an entity competing with the company or its group, or assuming the management of a competing sole proprietorship or a competing company of whatever form, with exception of the company's affiliates.

3) The member obtaining a commercial agency or the like, whether apparent or hidden, for a company of another establishment competing with the company or its group.

Article 111: Refusal to Grant a License:

If the General Assembly refuses to grant the license under Article 72 of the Companies Law and Article 109 of these Regulations, the BOD member shall submit his resignation within a period specified by the General Assembly, otherwise his membership in the BOD shall be considered terminated, unless he decides to abandon competing with the company or conciliate his status according to the Companies Law and its Implementing Regulations before the expiry of the deadline set by the Assembly.

Article 112: Acceptance of Gifts:

No BOD member nor senior executives may accept gifts from any person having commercial dealings with the company if such gift leads to a COI.

Part VII: Stakeholders

Article 113: Regulating the Relationship with Stakeholders:

The BOD shall set clear and written policies and procedures to regulate the relationship with stakeholders in order to protect them and preserve their rights, provided that this policy contains in particular the following:

- 1- How to compensate stakeholders in the event of a breach of their rights determined by regulations or protected by contracts.
- 2- How to settle complaints or disputes that may arise between the company and stakeholders.
- 3- How to build good relationships with customers and suppliers and maintain the confidentiality of information related to them.
- 4- The rules of professional conduct for the directors and employees of the company to comply with sound professional and ethical standards and regulate the relationship between them and stakeholders, provided that the BOD establish mechanisms to monitor the application of these rules and adherence to them.
- 5- The company's social contribution.
- 6- Confirmation that the company's dealings with BOD members and related parties is carried out in accordance with the terms and conditions of follow-up with stakeholders without any discrimination or preference.
- 7- Stakeholders have access to information related to their activities in a way that enables them to perform their tasks, provided that such information is correct, sufficient, timely and regularly.
- 8- Treating the company's employees in accordance with the principles of justice, equality and non-discrimination.

Article 114: Reporting the Violating Practices:

- 1- The BOD, based on the proposal of the Audit Committee, sets a policy for reporting violations in line with the requirements of the Saudi Central Bank, for stakeholders to follow in submitting their complaints or reporting violating practices.
- 2- Facilitating the notification of stakeholders (including company employees) to the BOD of the actions or practices that may be issued by the executive departments that violate the applicable laws, regulations and rules or raise suspicion in the financial statements or internal control systems or others, whether such actions or practices are in Confronting them or not and conducting the necessary investigation in this regard.
- 3- Maintaining the confidentiality of reporting procedures by facilitating direct contact with an independent member of the Audit Committee or other competent committees.
- 4- Assigning a competent person to receive and deal with complaints or communications from stakeholders.
- 5- Allocating a phone or e-mail to receive complaints.
- 6- Providing the necessary protection for stakeholders.

Part VIII: Professional and Ethical Standards

Article 115: Professional Conduct Policy:

The BOD sets a policy for the professional conduct and ethical values of the company taking into account in particular:

1- Emphasis on every BOD member, the executive management and the company's employees to exercise their duties of care and loyalty towards the company, and everyone who would safeguard the interests of the company, develop it, maximize its value, and put its interests above his personal interest in all cases.

2- A BOD member represents all shareholders in the company, committing to what achieves the interest of the company and the interests of the shareholders, and observing the rights of other stakeholders, not just the interest of the group that elected him.

3- Consolidating the principle of commitment of BOD members and BOD senior executives to all relevant rules, regulations, and instructions.

4- Preventing a BOD member or a member of the executive management from exploiting his position to achieve his own interest or someone else.

5- Emphasis on limiting the use of the company's assets and resources to achieving the company's purposes and objectives, and not using those assets or resources to achieve private interests.

6- Establishing accurate, precise, and clear rules regulating the validity and timing of access to the company's internal information in a way that prevents BOD members, Executive Management, and others from benefiting from it or disclosing the same to any person, except within the prescribed or legally permitted limits.

Part IX: Disclosure and Transparency

Article 116: Disclosure Policy and Procedure:

Without prejudice to the Rules on the Offer of Securities and Continuing Obligations, the Board of Directors shall set written disclosure policies, supervisory procedures and regulations according to the disclosure requirements contained in the Companies Law and the Capital Market Law, as the case may be, with their Implementing Regulations, and other regulations and instructions of the Saudi Central Bank, taking into account the following:

- 1- Those policies shall include appropriate disclosure methods that enable shareholders and stakeholders to access the financial and non-financial information related to the company, its performance, shareholding, and determine the company's position in an integrated manner.
- 2- The disclosure to shareholders and investors shall be without discrimination, in a clear, correct and not misleading manner, and it shall be timely, regular and accurate to enable shareholders and stakeholders to completely exercise their rights.
- 3- Reporting systems shall be set including defining the information that shall be disclosed, and the method of classifying the same in terms of its nature or periodicity of its disclosure.
- 4- Periodical review of disclosure policies, verifying their compliance with the best practices and with the Capital Market Law provisions and Implementing Regulations.

Article 117: Board of Directors' Report

The Board of Directors' report shall contain a presentation of its operations during the last fiscal year, and all the factors affecting the company's business. The Board of Directors' report shall contain the following information:

- 1- The applied provisions of the Corporate Governance Regulations issued by the Capital Market Authority and non-applicable ones with the reasons therefor.
- 2- An analytical review of the company's financial performance during the last period.
- 3- The most important plans and decisions taken and their impact on the company's performance and position.
- 4- A clarification of any material differences in the operational results from the results of the previous year or any expectations declared by the company.
- 5- Evaluation of the company's strategy and financial position.
- 6- A description of the main types of activity for the company and its subsidiaries. If two or more types of activity are described, a statement shall be attached to each activity and its impact on the company's business volume and its contribution to the results.

- 7- The name of each subsidiary, its capital, the company's shareholding percentage, its main activity, the country where its operations are located, and the country where it is incorporated.
- 8- Details of shares and debt instruments issued for each subsidiary.
- 9- A description of the company's dividends policy.
- 10- A description of any interest in the class of voting shares belonging to persons (other than the company's Board Members, senior executives and their relatives) who notify the company of such rights pursuant to Article 67 of the Rules on the Offer of Securities and Continuing Obligations, and any change in those rights during the last fiscal year.
- 11- Names of shareholding companies and companies within and outside the Kingdom for which a member of the company's Board is a member of its current or previous Boards of Directors or one of its directors.
- 12- A description of any interest, contractual securities and subscription rights belonging to the company's Board Members, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year.
- 13- Information regarding any loans on the Company (whether payable at request or otherwise), a statement of total indebtedness of the company and its subsidiaries and any amounts paid by the company in repayment of loans during the year, original amount of the loan, name of the loan giver, its term and the remaining amount. If there are no loans on the company, it shall submit a declaration thereof.
- 14- A description of the classes and numbers of any convertible debt instruments and any contractual securities, memoranda of subscription right or similar rights issued or granted by the company during the fiscal year, with an explanation of any compensation received by the company in return.
- 15- A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right memoranda or similar rights issued or granted by the company.
- 16- A description of any refund, purchase or cancellation of any refundable debt instruments by the company, and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries.
- 17- The number of the company's requests for the shareholders' register, the dates and reasons for those requests.
- 18- Where applicable, providing the means relied upon by the Board in evaluating its performance and the performance of its committees and members, the third party that carries out the evaluation and its relationship with the company, if any.
- 19- The procedures carried out by the Board of Directors to notify its members - especially non-executives, of the shareholders' proposals and comments on the company and its performance.

- 20- Any penalty, precautionary measure, precautionary restriction, or penalty imposed on the company by any judicial, supervisory, or regulatory authority, with a statement of the reasons for the violation, the signatory thereto and means to rectify the same and avoid its repetition in the future.
- 21- Any penalty, precautionary restriction or penalty imposed on any of the Board members from any judicial, supervisory, or regulatory authority that has a relationship with the company.
- 22- The Audit Committee's recommendation regarding the duration of the need to appoint an internal auditor in the company in case of his absence.
- 23- An assessment of the risks surrounding the company and means to address and detect them.
- 24- A summary in the form of a table or a chart of the company's assets, liabilities and results of its operations in the last five fiscal years or since its incorporation, whichever is shorter.
- 25- An explanation of any difference from the accounting standards approved by the Saudi Organization for Chartered and Professional Public Accountants (SOCPA).
- 26- A geographical analysis of the total revenues of the company and its subsidiaries.
- 27- Expectations of future performance.
- 28- For the Board of Directors: the Board's competences, composition, name of the Chairman and Deputy Chairman, the start and end dates of the current session, number of independent Board members, number and dates of meetings held during the period, names of the attendees for each meeting, and the details of remuneration of Board members.
- 29- For each Board member: the member's name and classification (executive, non-executive, or independent), names of other companies in which the member holds the position of a Board member, the entity represented by the member, if any, and any other positions held by the member in the company, if any.
- 30- For each of the Board committees: the name, competences and functions of the Committee, names of its members and their classifications (Chairman of the Committee, executive and non-executive members, independent members, or other than a Board member), the number and dates of the meetings held during the period, the names of each meeting's attendees, and the details of the members' remuneration for their membership in the Committee.
- 31- A statement of the dates of the General Assemblies of shareholders held during the last fiscal year and the names of Board members attending these assemblies.
- 32- A list of the names, positions, qualifications and experience of each of Board members, Board committees and members of the Senior Management of the company, their current and previous jobs, qualifications and experience.
- 33- Total remuneration paid to Board members and the five highest paid members of the Senior Management, the CEO and the CFO, if they were not among those who received the highest remuneration during the period (divided into

salaries, fixed allowances, variable remunerations, and any other components), as well as a description of any performance-related bonuses available to members of Senior Management, including the CEO and CFO if they are not among them.

- 34- The shareholding of Board members and members of the Senior Management in the company (direct and indirect) and the changes in their shareholding during the ending fiscal year as approved in the Shareholders' Register.
- 35- Description of the transactions with related parties, including major shareholders, the Board and Senior Management members during the period, and the mechanism for approving them.
- 36- Details of the company's social contributions, if any.
- 37- Information relating to any business or contracts to which the Company is a party, or in which a member of the Board of Directors, senior executives or any person related to any of them with an interest, to include the names of those involved in the business or contracts, the nature of these business or contracts, their conditions, duration and price. If there is no such business or contracts, the company shall submit a declaration for that.
- 38- A statement of any arrangement or agreement, under which a member of the company's Board or a senior executive assign any remuneration.
- 39- A statement of any arrangement or agreement under which one of the company's shareholders waived rights to profits.
- 40- A statement of the value of the paid amounts and due statutory payments for any zakat, taxes, fees or any other entitlements that have not been paid until the end of the annual fiscal period, with a brief description thereof and a statement of their reasons.
- 41- A statement of the value of any investments or reserves established for the benefit of the company's employees.
- 42- Any cases where there may be a conflict of interest and the mechanism for dealing therewith.
- 43- The Audit Committee's recommendations that conflict with the decisions of the Board of Directors, or those not considered by the Board regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance or appointing the internal auditor, the justifications for those recommendations, and the reasons for not adopting them.
- 44- Names of major shareholders and the percentage of shareholding of each of them in the company.
- 45- The results of the annual review of the efficiency and effectiveness of the company's internal control system, in addition to the Audit Committee's opinion about the adequacy of the company's internal control system.
- 46- The following declarations:
 - (A) The accounting records are properly prepared.
 - (B) The internal control system is prepared on sound grounds and implemented effectively.
 - (C) There is no significant doubt about the company's ability to continue its activity.

- 47- If the auditor's report contains reservations on the annual financial statements, the Board of Directors' report shall clarify those reservations, their reasons and any information related thereto.
- 48- If the Board of Directors recommends changing the auditor before the end of the period for which he is appointed, the report shall contain the same, with a statement of the reasons for recommending the change.

Article 118: The Audit Committee's Report

1. The Audit Committee's report shall contain details of its performance of its functions and duties stipulated in the company's memorandum of association and its Implementing Regulations, provided that it shall contain its recommendations and opinion about the adequacy of the company's internal and financial control systems and risk management.
2. The Board of Directors shall deposit sufficient copies of the Audit Committee report at the company's Head Office and publish the same on the company's website and the Market's website when publishing the invitation to convene the General Assembly, to enable shareholders who wish to obtain a copy thereof. A summary of the report shall be read out during the General Assembly.

Article 119: Disclosure of Board Members and Executive Management Members

The Board of Directors shall regulate the disclosures of each of its members and members of the Executive Management, taking into account the following:

1. Setting a special register for the disclosures of Board members and the Executive Management and updating it periodically according to the disclosures required by the Companies Law, the Capital Market Law, the regulations, and instructions issued by the Saudi Central Bank and their Implementing Regulations.
2. Providing access to the company's Shareholders' Register without any financial return.

Article 120: Disclosure of Rewards:

The Board of Directors shall be committed to:

- 1) Disclose the remuneration policy and how the remuneration of the company's Board members and executive management members is determined.
- 2) Accurate, transparent and detailed disclosure in the Board of Directors' report on the remunerations granted to members of the Board of Directors and the Executive Management, directly or indirectly, without concealment or being misleading, whether they are amounts, benefits or advantages, of whatever nature and name. If the benefits are shares in the company, the value listed for the shares shall be the market value at the maturity date.
- 3) Explain the relationship between the granted rewards and the applicable rewards policy and indicate any material deviation from this policy.

- 4) A statement of the necessary details regarding the remuneration and compensation paid to each of the following separately:
 - A. Board members.
 - B. Five senior executives who receive the highest remuneration from the company, including the CEO and the CFO.
 - C. Committee members.

Part X: Internal Control

Article 121: Internal Control System:

The Board of Directors shall adopt an internal control system for the company to evaluate the policies and procedures related to risk management, apply the provisions of the company's approved corporate governance regulations and comply with the relevant laws and regulations. This system shall ensure that clear standards of responsibility are followed at all executive levels in the company and that related party transactions are carried out pursuant to their own provisions and controls.

Article 122: Establishing independent control departments in the company

- 1- In order to implement the approved internal control system, the company establishes independent departments, which are the Compliance Department, the Risk Department and the Internal Audit Department.
- 2- The Compliance Department and the Internal Audit Department shall report to the Audit Committee emanating from the Board of Directors.
- 3- The Risk Department shall report to the Risk Management Committee emanating from the Board of Directors.
- 4- After obtaining the Saudi Central Bank's no-objection, the company may seek the assistance of external parties to exercise the functions and competencies of units or departments of risk assessment and management, and internal audit. This does not prejudice the company's responsibility for those duties and functions.

Article 122: Duties of the Control Department:

First: Compliance Management:

The Compliance Department is an independent department through its reporting to the Audit Committee, and the Compliance Officer shall be appointed by the Audit Committee to ensure his independence. The compliance function shall be responsible for monitoring the company's compliance with all relevant laws, regulations and instructions issued by the Saudi Central Bank or other relevant regulatory authorities and taking the necessary measures to improve the level of regulatory compliance in the company. Its duties shall include, but are not limited to:

- 1- Ensuring that the company complies with all requirements of applicable and relevant laws and regulations issued by the Saudi Central Bank, the Capital

- Market Authority, Council of Cooperative Health Insurance, Ministry of Commerce and any other regulatory and supervisory authority.
- 2- Communicating with the regulatory authorities in all matters relating to the company's regulatory and supervisory matters.
 - 3- Assessing the risks of non-compliance by the company, and monitoring non-compliance cases.
 - 4- Providing advice to the Board of Directors, committees, Senior Management and all employees of the company and departments related to the relevant laws, regulations and instructions to enable the company to abide by them.
 - 5- Notifying the company of all developments and updates in the rules, regulations and instructions issued by the supervisory authorities and the competent authorities.
 - 6- Preparing periodic reports on cases of non-compliance and making recommendations to address them and submitting them to the Audit Committee and the Board of Directors, as required.
 - 7- Providing the regulatory authorities with the reports required by law.
 - 8- Evaluating the work of all the company's departments and business to verify their compliance with the rules, regulations and instructions and preparing reports thereon.
 - 9- Educating and making the company's employees at all levels of employment aware of the importance of compliance.
 - 10- Monitoring the company's compliance with the Anti-Money Laundering and Terrorist Financing Law and their Implementing Regulations.

Second: The Internal Audit Department:

The internal audit function shall evaluate the effectiveness and efficiency of internal controls, policies, procedures and the company's reporting mechanism and the extent of compliance with them and make recommendations for improvement through a plan approved by the Audit Committee that contains all the company's activities and business. The internal auditor shall be appointed by the Audit Committee to achieve its independence and enable it to perform its work in a way that improves the control level in the company.

The company shall keep audit reports and work documents, clearly including what has been accomplished, its conclusions and recommendations, and the decisions taken in their regard. Its duties and responsibilities include:

- 1- Evaluating the effectiveness and efficiency of internal controls, policies and procedures, the extent of the company's commitment to them, and making recommendations in their regard.
- 2- Assessing the risks in the company, regulations, and investments.
- 3- The failures in the application of internal control or weaknesses in its application that may affect the financial performance of the company.
- 4- Verifying the credibility and integrity of financial information and accounting and non-financial records.

- 5- Submitting comprehensive reports on the results of the internal audit and compliance and discussing them with the Audit Committee and the concerned directors, and submitting proposals to be applied to address and close the observations.
- 6- Submitting the necessary reports to the Board of Directors to inform it of the results and contributing to the provisions of the internal control procedures, while maintaining professional independence of the management.
- 7- The tasks and responsibilities stipulated in the various laws, regulations and instructions issued by the Saudi Central Bank, including but not limited to, reviewing the subscription and pricing instructions and surplus distribution.

Part XI: Senior Management

Article 123: Senior Management

- 1- The priority in Senior Management positions shall be given to Saudis. If there is a need to appoint a non-Saudi, the insurance company shall prove the absence of qualified Saudis to fill the required position based on the requirements for appointment to leading positions issued by the Saudi Central Bank.
- 2- Each position in the Senior Management shall have a documented and detailed job description that defines the roles, responsibilities, specifications, qualifications and reporting lines, mechanism of interaction with other internal parties and the powers and limits of such powers.
- 3- The Director General shall be appointed by a decision of the Board of Directors after obtaining the Central Bank's no-objection. He shall report to the Board of Directors. As indicated in Paragraph (Third) of Article 23 of these Regulations, the Board of Directors shall supervise the Executive Management's work. Without prejudice to the provisions of the Corporate Governance Regulations issued by the Capital Market Authority and any other regulatory or supervisory requirements, the Senior Management shall be responsible for supervising the company's daily activities. The Senior Management's duties shall include, but are not limited to:
 - A) Implementing the company's strategic plans.
 - B) Managing the company's daily activities.
 - C) Setting procedures for risk identification, measurement, reduction and control.
 - D) Setting the necessary policies and procedures to ensure the efficiency and effectiveness of the internal control system.
 - E) Maintaining documents and audit.
 - F) Acting in accordance with the directions of the Board of Directors and submitting reports to it.
 - G) Ensuring that all regulatory and supervisory requirements are fulfilled to the maximum extent as possible.

- 4- The Senior Management shall provide the Board of Directors with a comprehensive presentation on the management's performance at least during each Board meeting.

Part XII: Appointed Actuary

Article 124: Actuarial Works:

Without prejudice to the provisions of the actuarial work controls issued by the Central Bank and any other relevant instructions, the duties and responsibilities of the appointed actuary shall include, but are not limited to, the following:

- 1- Studying the general financial position of the company.
- 2- Evaluating the company's capital adequacy.
- 3- Evaluating of the company's ability to meet its future obligations.
- 4- Pricing protection, savings, health, and motor insurance products, with recommendations as to the adequacy of premium rates for other general insurance categories of products.
- 5- Setting the company's technical allocations and recommendation on them.
- 6- Coordinating with the officials in the company's Risk Management to evaluate the impact of the fundamental risks and determine the appropriate mechanism to mitigate their effects.
- 7- Evaluating the adequacy of reinsurance arrangements and appropriate levels of risk retention and recommending the optimal retention level.
- 8- Giving recommendations to the company's Board of Directors as to the company's investment policy, taking into account the nature and timing of obligations towards the insurance policy holders and the availability of appropriate assets.
- 9- Determining the company's surplus or deficit in general.
- 10- Preparing the appropriate reports pursuant to the financial reporting forms required by the Central Bank.
- 11- Reviewing the company's subscription evidence.
- 12- Preparing an annual report showing the efficiency of the company's technical reserves and prices of insurance products.
- 13- Analyzing the development of the insurance portfolio and analysis of costs.
- 14- Preparing a report showing the suitability of assets to responsibilities.
- 15- Providing advice on any other actuarial matters.

Part XIII: Company's Auditor

Article 125: Assigning the Audit Task:

The task of reviewing the company's annual accounts shall be entrusted to one or more independent, competent, experienced and qualified auditors to prepare an objective and independent report for the Board of Directors and the shareholders indicating whether the company's financial statements clearly and fairly express the company's financial position, and its performance in material aspects.

Article 126: Appointment of the Auditor:

The Ordinary General Assembly shall appoint the company's auditor based on the nomination of the Board of Directors, taking into account the following:

- 1) His nomination shall be based on the Audit Committee's recommendation.
- 2) He shall be licensed and fulfill the conditions prescribed by the competent authority.
- 3) His interests shall not conflict with the company's interests.
- 4) The candidates shall be no less than two auditors.

Article 127: The Auditor's Duties and Responsibilities:

The auditor shall:

- 1- Exercise due diligence and honesty for the company.
- 2- Inform the Authority if the Board of Directors fails to take the appropriate action regarding the suspicious issues raised thereby.
- 3- Request the Board of Directors to convene the Ordinary General Assembly if the Board does not facilitate his work. He shall be responsible for compensating the damage against the company, the shareholders or third parties due to his errors in performing his work. If there are multiple auditors and they share the error, they shall be jointly liable.

Part XIV: Final Provisions

Article 128: Maintaining Documents:

The company shall maintain all records, papers, reports, and other documents required to be kept pursuant to the Corporate Governance Regulations issued by the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Central Bank, at the company's Head Office for a period of no less than ten years. This shall include the Board of Directors' report and the Audit Committee's report. Without prejudice to this period, in case of a lawsuit (including any existing or threatened lawsuit), claim or any existing investigative actions relating to such records, papers, reports or documents, the company shall keep them till the end of that lawsuit, claim or existing investigative procedures.

Article 129: Provision of Additional Information and Data:

The Authority or the Central Bank may request the company to provide them with any additional information or as it deems necessary to verify compliance with the provisions of the Corporate Governance Regulations.



Current version of

Corporate Governance Manual

Arabia Insurance Cooperative Company

2022

Preface:

Adherence to corporate governance (“CG”) is crucial to the success of the Company. CG incorporates mechanisms for regulating the various relationships among the Board of Directors (the “Board”), Executive Management, shareholders and Stakeholders, and requires the application of a clear framework of transparency, disclosure and accountability that is conducive to the best interests of shareholders, to the protection of their and Stakeholders’ rights, and to the promotion of fairness, competitiveness and transparency.

Arabia Insurance Cooperative Company (“AICC”) has, therefore, developed the Company’s Internal Corporate Governance Regulations in accordance with the requirements of the Insurance & Reinsurance Corporate Governance Regulations issued by the Saudi Central Bank (“SCB”) and the (updated) Corporate Governance Regulations issued by the Capital Market Authority Board.

Believing that the Regulations are a key enabler of the success of the Company, AICC’s Board has made sure that they will be in line with international best practice and will be effective and fully applied.

Company Overview:

AICC is a Saudi Arabian public joint-stock company established by Royal Decree No. M/23 of 15/3/1428H (3/4/2007) and Council of Ministers Resolution No. 93 of 14/3/1428H (2/4/2007), with CR 1010243302 dated 18/1/1429H (27/1/2008) issued in Riyadh. The Company’s shares were listed on the Saudi Stock Exchange (Tadawul) on 26/1/1429H, corresponding to 4/2/2008.

AICC obtained SCB License No. TMN/15/20086 dated 14/6/1429H (18/6/2008) to engage in insurance business in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The Company’s purpose is to carry on cooperative insurance and related activities in Saudi Arabia, with its main activity comprising all categories of general insurance, health insurance and P&S.

Table of Contents

- Preface
- Company Overview
- Part I: Preliminary Provisions
- Part II: Shareholders' Rights
 - Chapter One: General Rights
 - Chapter Two: Rights related to General Assembly Meetings
- Part III: Board of Directors
 - Chapter One: Formation of the Board
 - Chapter Two: Responsibilities, Roles and Duties of the Board
 - Chapter Three: Working Procedures of the Board
- Part IV: Board Committees
- Part V: Remuneration Policy for Board Members, Board Committees and Senior Executives
- Part VI: Conflict of Interest Policy
- Part VII: Stakeholders
- Part VIII: Professional and Ethical Standards
- Part IX: Disclosure and Transparency
- Part X: Internal Control
- Part XI: Senior Management
- Part XII: Appointed Actuary
- Part XIII: Company's Auditor
- Part XIV: Final Provisions

Part I: Preliminary Provisions

Article 1: General Provisions

a) Corporate Governance Regulations (“CGR”) References:

1. The Cooperative Insurance Companies Control Law promulgated by Royal Decree No. M/32 dated 2/6/1424H and its Implementing Regulations.
2. The Companies Act promulgated by Royal Decree No. M/3 dated 28/1/1437H.
3. The Capital Market Law issued by Royal Decree No. M/30 of 2/6/1424H.
4. The (updated) Corporate Governance Regulations issued by the Capital Market Authority Board.
5. The Rules on the Offer of Securities and Continuing Obligations (“ROSCO”).
6. The Insurance & Reinsurance Corporate Governance Regulations issued by the Saudi Central Bank.
7. The Regulations for Audit Committees in Insurance and Reinsurance Companies issued by the Saudi Central Bank.
8. The Requirements for Appointments to Leadership Positions in Financial Institutions Supervised by the Saudi Central Bank.
9. The Company’s Articles of Association.

b) Amendments to CGR:

The authority to propose amendments to these Regulations shall lie with the Company’s Board.

c) Approval, Coming into Effect and Publication:

1. The authority to approve these Regulations shall belong to the General Assembly of Shareholders, and they shall come into effect as of the date of their approval.
2. The Company shall publish a copy of these Regulations on its website.

Article 2: Definitions:

Without prejudice to the provisions of relevant laws and regulations, the following terms and expressions, wherever used in these Regulations, shall have the meanings respectively indicated next to them, unless the context requires otherwise:

SCB	: The Saudi Central Bank.
CMA	: The Capital Market Authority.
CGR or Regulations	: The Corporate Governance Regulations of Arabia Insurance Cooperative Company.
AICC or Company	: Arabia Insurance Cooperative Company.

- Shareholders Assembly** : An assembly consisting of the shareholders of the Company formed in accordance with the provisions of the Companies Act and the Company's Articles of Association.
- Board of Directors or Board** : The Board of Directors of Arabia Insurance Cooperative Company recognized under the laws in force in the Kingdom of Saudi Arabia.
- Chairman of the Board or Board Chairman** : A non-executive Board member elected by the Board to preside over its meetings and organize its activities.
- Executive Member** : A member of the Board of Directors who is a full-time member of the Executive Management of the Company, participates in its day-to-day activities and, in return, receives a monthly salary.
- Non-Executive Member** : A member of the Board of Directors who is not a full-time member of the management team of the Company and neither participates in its day-to-day activities nor receives a monthly or an annual salary.
- Independent Member** : A member of the Board of Directors who enjoys full independence. This means that the member is fully independent of the management and of the Company. Independence is the ability to judge things after taking into account all relevant information without undue influence from management or from external parties. None of the issues affecting independence stipulated in Article 20 of the Corporate Governance Regulations issued by CMA applies to such a member. Independence is not established on the part of a Board member in the following cases:
- a) If the member is a Significant Shareholder in the Company or in a Related Company or holds five percent or more of the shares of the Company or the shares of another company within the Company's group, or represents or works for a Significant Shareholder, or is a relative of someone who holds such percentage.
 - b) If the member is a member of the Board of a Related Company or held that position during the past two years.
 - c) If the member has served as a Board member of the Company for more than nine years.
 - d) If the member holds a position in the Senior Management of the Company, in the management of a Related Company or with a Significant Shareholder, or held one during the past two years.
 - e) If the member is an employee, or used to be an

- employee during the past two years, of the Company, a Related Company or a company that provides services to the Company (e.g. external auditors, consulting firms, etc.)
- f) If the member is a related person of a member of the Board or Senior Management of the Company or of a Related Company.
 - g) If the member has a contractual or business relationship with the Company (either directly or through an entity in which the member is a Significant Shareholder, a Board member, or a manager) which resulted in paying to, or receiving from, the Company a sum of money equal to two hundred fifty thousand (250.000) Saudi riyals (other than the member's remuneration as a member of the Board) during the past two years.
 - h) If the member is under a financial or moral obligation towards the Company or any members of its Board or Senior Management that might affect the member's exercise of full independence in judgment and decision-making.
 - i) If the member is engaging in an activity competing with the Company or any members of its Board or Senior Management that might affect the member's exercise of full independence in judgment and decision-making.
 - j) If the member is a relative of any Senior Executive of the Company or of another company within the Company's group.
 - k) If the member receives from the Company in addition to the remuneration for serving on the Board or any Committees, sums of money exceeding two hundred thousand (200.000) Saudi riyals or exceeding 50% of the member's remuneration received in the preceding year for serving on the Board or any Committees, whichever is lower.

Chief Executive Officer or CEO : The officer with the highest rank in the Senior Executive Management of the Company who is in charge of its day-to-day management, regardless of the title of his or her position.

Senior Management or Executive Management (Management of the Company) : The persons responsible for managing the day-to-day operations of the Company and proposing and implementing strategic decisions, including the Managing Director, CEO, General Manager and their deputies, Chief Financial Officer, managers of key departments, those in charge of the Company's risk management, internal audit and compliance functions, and the like, and the incumbents of any such other positions as may be determined by SCB.

- Leadership Positions** : Members of the Board of Directors and Senior Management.
- Stakeholders** : The persons or parties who have an interest in the business transacted by the Company, including shareholders, insureds, claimants, Company employees, reinsurers, suppliers, the community, and regulatory and supervisory bodies.
- Significant Shareholders** : Persons who hold 5% or more of the Company's shares or voting rights.
- Relatives** :
- Fathers, mothers, grandfathers, grandmothers and their ancestors.
 - Children, grandchildren and their descendants.
 - Full and half siblings and their children.
 - Husbands and wives.
 -
- Person** : Any natural or legal person recognized as such under the laws of the Kingdom.
- Related Parties** :
- a. Significant Shareholders of the Company.
 - b. Board members of the Company or of any of its Affiliates and their relatives.
 - c. Senior Executives of the Company or of any of its Affiliates and their relatives.
 - d. Board members and Senior Executives of the Company's Significant Shareholders.
 - e. Entities, other than companies, owned by a Board member, a Senior Executive or relatives thereof.
 - f. Companies in which a Board member, a Senior Executive or any of their relatives is a partner.
 - g. Companies in which a Board member, a Senior Executive or any of their relatives is a Board member or a Senior Executive.
 - h. Joint-stock companies in which a Board member, a Senior Executive or any of their relatives holds 5% or more, subject to the provision of paragraph (d) of this definition.
 - i. Companies in which a Board member, a Senior Executive or any of their relatives has influence on the company's decisions, even if only by giving advice or guidance.
 - j. Any person whose advice and guidance influence the decisions of the Company and its Board members and Senior Executives.
 - k. Holding companies or Affiliates of the Company.
- Advice and guidance provided on a professional basis by a person licensed to provide the same shall be excluded from the provisions of paragraphs (i) and (j) of this definition.

- Group** : In relation to a person, means such person and its affiliates.
- Affiliate** : A person who controls another person, or is controlled by that other person, or is under common control with that other person by a third person, in each case directly or indirectly.
- Cumulative Voting** : A method of voting for electing Board members that gives each shareholder a voting capacity equivalent to the number of shares he/she owns, and by which the shareholder is entitled to either exercise all of his/her votes towards one nominee or to divide his/her votes towards several nominees without any duplication of such votes.
- Remuneration** : Amounts, allowances and the like, periodic or annual bonuses linked to performance, short- or long-term incentive schemes, and any other in-kind benefits, except the actual reasonable expenses and fees incurred by the Company to enable the Board member to perform his/her duties.
- Shareholders Assemblies** : Ordinary or extraordinary General Assemblies or Special Assemblies.
- Day** : A calendar day, whether or not a business day.

Article (3): Objectives of the Regulations:

These Regulations aim at establishing an effective legal framework to govern the Company, and particularly aim at the following:

- 1) Enhancing the role of the Company's Shareholders and facilitating the exercise of their rights;
- 2) Stating the competencies and responsibilities of the Board and the Executive Management;
- 3) Enhancing the role of the Board and the committees and developing their capabilities to enhance the Company's decision making mechanisms;
- 4) Achieving transparency, impartiality and equity in the Exchange, its transactions, and the business environment and enhance disclosure therein;
- 5) Providing effective and balanced tools to deal with conflicts of interest;
- 6) Enhancing accountability and control mechanisms for the Company's employees; providing the necessary means and tools for the Board to monitor and assess the performance of the executive departments; and providing the greatest possible protection from risks that affect the Company's operations;
- 7) Establishing the general framework for dealing with Stakeholders and protecting their rights;
- 8) Assisting in the optimal utilization of the Company's resources and capital more efficiently, whereby the Company's investments can be directed in highly organized and transparent ways towards finding market opportunities for marketing its products or penetrating new markets, and preventing the misdirection of the Company's capital.
- 9) Enhancing the confidence of investors in the Company, as commitment to governance and the application of the provisions thereof is deemed an additional and influencing factor in investment decisions.
- 10) Assisting in attracting the capital to be invested in the Company's long-term investments.
- 11) Transparently clarifying the structure through which the Company's goals, and the means to achieve those goals and follow-up performance, are determined, and clarifying the responsibility of each party to achieve the goals and hold them accountable for the productivity thereof, from the Board to the Company's executive units.
- 12) Organizing the relationship with stakeholders.

Article (4): Accountability:

- 1) The Board shall be accountable to the Shareholders, regulatory and supervisory bodies, and other Stakeholders.
- 2) The Board shall hold members of the Senior Management accountable for the damage that may arise as a result of their misuse of their delegated powers.
- 3) The Board shall be ultimately accountable and responsible for the performance, conduct, and regulatory compliance of the Company. Delegating authority to Board committees or Senior Management shall not absolve the Board of its responsibilities. Furthermore, the Board shall be responsible for the performance of third parties engaged to perform jobs or manage functions.

- 4) The members of the Board shall be jointly responsible for damages sustained by the Company, the Shareholders, or third parties, as a result of their failure to manage the Company's affairs or their violation of the provisions of the Companies Law or The Law on Supervision of Cooperative Insurance Companies and the Company's Articles of Association. Every provision to the contrary shall be deemed null and void.
- 5) The accountability of the members of the Board shall be in accordance with the provision of Paragraph (3) of this Article, if a wrongful act arises from a resolution issued and adopted by them all. But with respect to resolutions adopted by majority vote, dissenting members shall not be liable if they have expressly recorded their objection in the minutes of the meeting. Absence from the meeting at which such resolution is adopted shall not constitute cause for relief from liability, unless it is established that the absentee was not aware of the resolution, or unable to object after becoming aware thereof.
- 6) The approval of the General Assembly to exonerate the members of the Board from liability shall not be required when filing a liability claim.
- 7) Liability claim shall not be heard after the lapse of 3 years from the date of disclosure of the damaging act. However, in any case, except in cases of fraud or forgery, any liability claim shall be barred after the latter of five years from the end of the financial year during which the damaging act, or three years from the end of the directorship of the concerned Director.
- 8) The Company may file a liability claim against the members of the Board for wrongful acts that cause damages to all the Shareholders. The resolution to file this claim shall be made by the Ordinary General Assembly, which shall appoint a person to pursue the claim on behalf of the Company.
- 9) Every Shareholder shall have the right to file a liability claim against the members of the Board on behalf of the Company if the wrongful act committed by them is of a nature to cause him personal damage. However, the Shareholder may file such claim only if the Company's right to file such claim is still valid. The Shareholder shall notify the Company of his intention to do so, while he shall be adjudged compensation only to the extent of the damage caused to him.

Article (5): Independence, Fitness and Propriety:

- 1) A high level of independence shall be achieved in decision making throughout the Company by, for example, establishing clear separation of duties between the Board and the Management, enhancing the independence of control functions (Internal Audit Department, Regular Control Department and Risk Management Department), and controlling the risk of conflict of interest.
- 2) The Board should leverage the services of independent external parties to provide assurance on the adequacy and effectiveness of the governance structure and processes of the Company, and on other technical areas, where the Board might lack relevant expertise.
- 3) Members of the Board, Board committees, and Senior Management shall be trustworthy and shall have the integrity, competency, knowledge, and

experience to fulfill their respective roles and shall comply with all laws, regulations, rules and instructions issued by the Central Bank at all times, in particular, the requirements for appointment to leadership positions in financial institutions under the supervision of the Central Bank, and they shall be appointed only in accordance with those requirements.

Part II: Rights of Shareholders:

Chapter 1: General Rights

Article (6): Fair Treatment of Shareholders

- a) The Board shall seek Shareholders' rights protection to ensure fairness and equality among them.
- b) The Board and the Senior Management of the Company shall not discriminate among Shareholders who own the same class of shares nor prevent them from accessing any of their rights.
- c) The Company shall specify in its bylaws and internal policies the procedures that are necessary to guarantee that all Shareholders exercise their rights.
- d) The Company shall take all possible measures to encourage minority Shareholders and individual Shareholders to exercise their role as Shareholders in the Company.
- e) Shareholders shall have the right to communicate their opinions and inquiries to the Board and Senior Management on a regular basis (for example, through the General Assembly or Investor Relations).

Article (7): Rights Related to Shares:

- 1) To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares.
- 2) To obtain his/her share of the Company's assets upon liquidation.
- 3) To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their resolutions.
- 4) To dispose of his/her shares in accordance with the provisions of the Companies Law, The Capital Market Law and their implementing regulations.
- 5) To enquire and request viewing the books and documents of the Company, including the data and information related to the activities of the Company and its operational and investment strategy without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law and their implementing regulations.
- 6) To monitor the performance of the Company and the activities of the Board.
- 7) To hold Board members accountable, file liability claims against them, and appeal for nullification of the resolutions of the Shareholders Assemblies in accordance with the conditions and restrictions provided in the relevant laws.
- 8) Preemptive rights to subscribe to new shares issued in exchange for cash. The Extraordinary General Assembly shall have the right to suspend or give the preemptive rights to non-Shareholders, as deemed appropriate in the interest of the Company.

- 9) To record his/her shares in the Company's Shareholders register.
- 10) To request to access a copy of the Company's Articles of Association and bylaws unless the Company publishes them on its website.
- 11) To nominate and elect the Board members.

Article (8): Shareholder Access to Information

- 1) The Board shall make available to the Shareholder complete, clear, accurate and non-misleading information to enable him/her to properly exercise his/her rights. Such information shall be provided at the proper times and shall be updated regularly, in accordance with the relevant applicable laws.
- 2) The Board shall ensure that the method used to provide information to the Shareholders shall be clear and detailed and shall include a list of the Company's information that the Shareholders may obtain. This information shall be made available to all Shareholders without discrimination.

Article (9): Communicating with Shareholders:

- 1) The Board believes that a common understanding of the Company's strategic objectives and interests is a principle to achieve communication between the Company and Shareholders.
- 2) The Chairman of the Board and the Chief Executive Officer shall inform the remaining Board members of the opinions of the Shareholders and discuss these opinions with them.
- 3) No Shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless he is a member of its Board or its Executive Management; or unless his/her intervention is through the Ordinary General Assembly according to its powers or within the limits and conditions permitted by the Board.

Article (10): Distribution of Dividends:

- 1- The Company's bylaws shall prescribe the percentage of the net profits to be distributed to the Shareholders after setting aside the statutory reserve and the other reserves, which shall be distributed according to the policy prepared by the Board in this regard.
- 2- The Shareholder shall be entitled to receive his/her share of dividends as per the resolution of the General Assembly in this regard. The resolution shall specify the record date and the distribution date. Shareholders registered in the Shareholders register shall be eligible to profits at the end of the day specified for eligibility. The Company shall notify the Capital Market Authority – without delay – of any decision or recommendation for dividends distribution. Subject to the prior written approval of the Central Bank, dividends to be distributed amongst the Shareholders shall be paid at the place and times specified by the Board, in accordance with the instructions issued by the Competent Authority.

Chapter 2: Rights Related to the General Assembly Meeting:

Article (11): Composition and Convention of General Assemblies:

- a) A properly composed general assembly shall represent all Shareholders.
- b) The seat of the general assembly shall be in the city in which the Company's head office is located.
- c) The meetings of the General Assemblies of Shareholders may be convened, and Shareholders may participate in their deliberations and vote on their resolutions using methods of contemporary technologies pursuant to controls determined by the Competent Authority.
- d) The meetings of the Ordinary General Assemblies of Shareholders shall be convened in accordance with the provisions of the Companies Law and Its Implementing Regulations and the Company's bylaws.
- e) The Ordinary General Assembly shall convene at least once a year during the six months following the end of the Company's financial year.

Article (12): Right to Attend General Assemblies:

- a) Each Shareholder, regardless of the number of shares thereof, shall have the right to attend the General Assembly of Shareholders.
- b) In case of failure to attend, each Shareholder may delegate someone other than the members of the Board or the Company's employees to attend the General Assembly on behalf thereof.

Article (13): The Power to Invite to the Meeting of the General Assembly:

- a) The General Assemblies shall convene upon an invitation from the Board in accordance with the terms and conditions stated in the Companies Law and Its Implementing Regulations and the Company's bylaws.
- b) The Board shall invite the Ordinary General Assembly to convene upon the request of the external auditor, the audit committee or a number of Shareholders holding shares equal to at least (5%) of the share capital of the Company.
- c) The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from the date of the external auditor's request.

Article (14): Announcing the Invitation to the General Assembly:

- a) The date, place and agenda of the General Assembly shall be announced by the Company at least twenty-one days prior to the date thereof.
- b) The invitation shall be published on the website of the Exchange, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located.
- c) The Company may invite the Shareholders' Assemblies to convene using methods of contemporary technologies.
- d) It may be sufficient to send the invitation on the aforementioned date to all Shareholders by registered letters. A copy of the invitation and the agenda

shall be sent to the Capital Market Authority during the period specified for publication.

Article (15): The Agenda of the General Assembly:

- a) When preparing the General Assembly's agenda, the Board shall take into consideration the matters that the Shareholders wish to list.
- b) Shareholders holding no less than (5%) of the Company's shares shall be entitled to add one or more items to the agenda upon its preparation.
- c) The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item.
- d) The Board shall not combine the businesses and contracts in which Board members have a direct or indirect interest under one item.
- e) The Company may amend the agenda of the General Assembly during the period between the publication of the announcement referred to in Paragraph (a) of Article (14) and the date of the General Assembly, provided that the Company shall announce this in accordance with the conditions provided for in Article (13).
- f) The Shareholders shall be allowed through the Company's website and the Exchange's website, when the invitation for the convention of the General Assembly is published, to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the auditor, the financial statements and the audit committee's report in order to enable them to make an informed decision in this regard. The Company shall update this information in case the General Assembly's agenda was amended.

Article (16): Shareholders' Rights to Participate in the General Assemblies:

- a) The Board shall work on facilitating the participation of the largest number of Shareholders in the meetings of the General Assembly, by choosing the appropriate place and time of such meeting.
- b) The Shareholders shall be granted the opportunity to effectively participate and vote in the meetings of the General Assembly.
- c) The matters presented to the General Assembly shall be accompanied by documents and explained clearly in order to enable the Shareholders to take their decisions based on sufficient information.
- d) The Shareholders shall be granted the opportunity to effectively participate and vote in the meetings of the Shareholders' General Assembly, using methods of contemporary technologies pursuant to controls determined by the Competent Authority.
- e) They shall be briefed and informed of the rules governing meetings and voting procedures.
- f) The Shareholders who wish to attend the General Assembly shall register their names in a special register prepared for this purpose at the head office of the Company before the date of convening the General Assembly. When the meeting convenes, a list shall be prepared including the names of the

Shareholders present or represented thereat, and showing the number of shares held by each, whether personally or by proxy. Any interested party shall be entitled to review this list. This may be verified by another means if provided for in the Company's bylaws.

Article (17): Management of Shareholders' Assembly:

- a) The Shareholders' General Assembly meetings shall be chaired by the chairman, his deputy (if the chairman is absent) or whom is delegated by the Board of its members (when the chairman and his deputy are absent).
- b) The chairman of the Shareholders' Assembly shall commit to grant the Shareholders the opportunity to effectively participate and vote in the meetings of the General Assembly and avoid any procedure that may preventing their attendance to the assemblies or the exercise of the voting right.
- c) Shareholders shall be entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the Board members and to the auditor. The Board or the auditor shall answer the questions raised by Shareholders to the extent that does not jeopardize the Company's interest. If the Shareholder deems that the answer to his question is not convincing, he shall appeal to the Assembly, the decision of which in this regard shall be enforceable.

Article (18): Rights to vote in the Assemblies:

- a) Voting is a fundamental right of the Shareholder and cannot be revoked in any way. The Company shall avoid developing any procedure that might impede the use of the right to vote, and it shall facilitate the Shareholder's exercise of his right to vote. Remote voting may be used in accordance with the regulations developed by the Competent Authority.
- b) Cumulative voting shall be used to elect members of the Board.
- c) The members of the Board shall not participate in voting on resolutions of the assembly pertaining to relief them from liability for the management of the Company or pertaining to a direct or indirect interest thereof.

Article (19): Minutes of Assemblies:

- a) Minutes of the General Assembly shall be issued. The minutes shall include the names of the Shareholders present in person or those represented, the number of the shares held by them, in person or by proxy, the votes held by them, the resolutions passed, the number of the votes for or against such resolutions and an adequate summary of the discussions at the meeting. Such minutes shall be entered regularly after each meeting in a special register which shall be signed by the chairman, the secretary and the teller.
- b) Shareholders shall have the right to review the minutes of the General Assembly meeting.
- c) The company shall provide the Authority with a copy of the minutes of the meeting, within ten days from the date of the meeting.

- d) Subject to the disclosure policy approved by the Board, the Company shall announce to the public and notify the Authority and the Exchange- in accordance with the controls set by the Authority - of the results of the General Assembly immediately upon the conclusion thereof.

Article (20): Quorum for General Assemblies:

First: Ordinary General Assembly:

- a) The Ordinary General Assembly meeting shall be valid only if attended by Shareholders representing at least one quarter of the Company's capital.
- b) If this quorum has not been obtained at a first meeting, a notice shall be sent for a second meeting to be held within 30 days of the previous meeting. This notice shall be published in the manner prescribed in Article (14) hereof.
- c) However, a second meeting shall be held one hour after the lapse of time set for the first meeting, provided that the notice for holding the first meeting shall indicate the possibility of holding such meeting. In all cases, the second meeting shall be valid regardless of the number of shares represented therein.
- d) In all cases, the second meeting shall be valid regardless of the number of shares represented therein.

Second: Extraordinary General Assembly:

- a) The Extraordinary General Assembly meeting shall be valid only if attended by Shareholders representing at least one half of the Company's capital.
- b) If this quorum has not been obtained at a first meeting, a notice shall be sent for a second meeting to be held under the same conditions provided for in Article (14) hereof.
- c) A second meeting shall be held one hour after the lapse of time set for the first meeting, provided that the notice for holding the first meeting shall indicate the possibility of holding such meeting.
- d) In all cases, the second meeting shall be valid if attended by a number of Shareholders representing at least one-quarter of the capital.
- e) If this quorum has not been obtained at a second meeting, a notice shall be sent for a third meeting to be held under the same conditions provided for in Article (13) hereof. The third meeting shall be valid regardless of the number of shares represented therein after obtaining the approval of the Competent Authority.

Article (21): Resolutions of Assemblies:

Resolutions of the Constituent Assembly shall be passed by absolute majority of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be passed by absolute majority of the shares represented at the meeting. However, if such resolutions relate to the evaluation of special privileges, they shall be adopted by two thirds' majority of the subscribers to shares, after the exclusion of the subscriptions made by the beneficiaries of special privileges. Resolutions of the Extraordinary General Assembly shall be passed by two-thirds majority of the shares represented at the meeting unless the resolution relates to increase or reduction of capital, extension of the Company's term, dissolution of the Company prior to the

term set therefor in its Bylaws or merger of the Company with another company, in which case such resolution shall only be valid if passed with a three-quarters majority of the shares represented at the meeting.

Article (22): Competencies of the Extraordinary General Assembly:

The Extraordinary General Assembly shall have the competencies established in the Companies Law, its Implementing Regulations, Corporate Governance Regulations, and the Company's bylaws, including, but not limited to, the following:

- a) Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;
- b) Increasing the Company's share capital - subject to the approval of the Competent Authority - provided that the share capital shall be fully paid.
- c) The Extraordinary General Assembly shall have the right to suspend preemptive rights to subscribe for increasing the share capital for cash shares or give such preemptive rights to non-Shareholders, as deemed appropriate in the interest of the Company.
- d) Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses - subject to the approval of the Competent Authority - provided that the paid-up capital of the insurance company after decreasing the capital shall not be less than (100) one hundred million riyals and in accordance with the conditions established in the Companies Law and its Implementing Regulations.
- e) The Extraordinary General Assembly may issue resolutions that fall within the competencies of the Ordinary General Assembly, under the same conditions established for the Ordinary General Assembly.

Article (23): Competencies of the Ordinary General Assembly:

Except for the competencies reserved to the Extraordinary General Assembly, the Ordinary General Assembly shall have competencies in all affairs of the Company, subject to the relevant laws and regulations and the Company's bylaws, including, but not limited to, the following:

- a) Appointing and dismissing Board Members;
- b) Permitting a Board member to have direct or indirect interest in the business and contracts that are executed for the Company's account, in compliance with the provisions of the Companies Law and Its Implementing Regulations. It shall not be considered a direct and indirect interest, which requires the permission of the General Assembly, the business and contracts that are made to meet personal needs, if they are made under same terms and conditions followed by the Company with all contractors and dealers and they fall within the normal course of the Company's business.
- c) Permitting a Board member to take part in any activities that may lead to competition with the Company, or competition in any of its activities, in compliance with the provisions of the Companies Law and its Implementing Regulations.
- d) Forming the audit committee pursuant to the provisions of the Companies Law and Its Implementing Regulations.

- e) Monitoring the compliance of the Board members with the provisions of the Companies Law and Its Implementing Regulations and other relevant laws and the Company's bylaws; inspecting any damage that may occur as a result of their violation of such provisions or mismanagement of the affairs of the Company; determining the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and Its Implementing Regulations.
- f) Approving the Company's financial statement.
- g) Approving the Board report.
- h) Deciding on the proposals of the Board with respect to the method of distributing the net dividends.
- i) Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports.
- j) Discharge of members of the Board.
- k) Resolving to withhold from setting aside statutory reserve when it reaches an amount equal to (30%) of the Company's paid share capital, and resolving to distribute the surplus of such percentage to the Company's Shareholders in financial years where the Company does not generate net dividends.
- l) Permitting businesses and contracts.

First: Delegating the General Assembly to permit business and contracts to the Company's Board:

The General Assembly shall have the right to delegate the Company's Board to permit the business and contracts that are made for the Company's account, in which the Board member has a direct and indirect interest, subject to the relevant laws and regulations, as detailed below:

- a) The total amount of business or contract or the total of the businesses and contracts during the fiscal year - is less than (1%) of the company's revenues according to the latest audited financial statements and less than 10 million Saudi Riyals.
- b) The business or contract falls within the normal course of the Company's business.
- c) The business or contract shall not include preferential terms to the Board members and shall be in accordance with the same terms and conditions followed by the company with all contractors and dealers.
- d) The business or contract shall not be part of the business and consultation contracts which a board member carries out by a professional license for the Company.
- e) The period for the delegation shall be a maximum of one year from the date of approval by the Ordinary General Assembly to delegate its powers, stipulated in paragraph (1) of Article 71 of the Companies Law, to the Company's Board, or until the end of the session of the delegated Board, whichever is earlier.
- f) Any member of the Board shall not be allowed to vote on the items of delegation and the revocation in the General Assembly.

Second: Permitting the Businesses and Contracts by the General Assembly:

If the General Assembly does not delegate the permission powers stipulated in Paragraph (I - First), or if the terms of permission powers are not fulfilled, a permission shall be obtained from the General Assembly on the business and contracts that are made for the Company's account, and in which a Board member has a direct or indirect interest.

Third: Refuse to Grant the Permission:

- a) If the Board of Directors rejects granting the permission, the member of the Board shall resign within a period specified by the Board; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from such contract or transaction or regularize his situation prior to the end of the period set by the Board.
- b) If the General Assembly rejects granting the permission, the member of the Board shall resign within a period specified by the General Assembly; otherwise, his membership in the Board shall be deemed terminated, unless he decides to withdraw from such contract or transaction or regularize his situation prior to the end of the period set by the General Assembly.

Part III: Board of Directors:

Chapter 1: Formation of the Board:

Article (24): Board Members Election:

- 1) The procedures for nomination, selection and appointment of members of the Board shall be in accordance with the relevant policy approved by the General Assembly of Shareholders - Board Membership Policy and Procedures.
- 2) After obtaining the Central Bank's no objection to the nominees, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board, which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.
- 3) The General Assembly shall elect the members of the Board for the period stipulated in the Company's bylaws, which is fixed at three years, and they may always be re-elected unless the Company's bylaws stipulate otherwise.
- 4) Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
- 5) Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per Paragraph (2) of this Article.
- 6) Members of the Board shall undergo an induction program once they join the Board. Each member shall be provided with a letter of appointment outlining his roles and responsibilities, and comprehensive information on the Company's business and strategic plans and on relevant laws and regulations.

Article (25): Formation of the Board:

- a) The Company's bylaws shall specify the number of members of the Board, provided that such number shall not be more than (11) and not less than (5) members on a continuous basis.

- b) The composition of the Board shall reflect an appropriate 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.
- c) The majority of the Board members shall be of Non-Executive Directors.
- d) The Board shall generally have diversity in terms of qualifications, knowledge, experience and skills in the various areas of the Company's business.

Article (26): Conditions for the Membership of the Board:

- a) A member of the Board shall have the required experience, knowledge, skill, integrity and independence, which enable him to perform his duties efficiently.
- b) In general, the members of the Board shall have the competence, foresight, strategic perspective, good administrative perception, management and supervision ability, awareness of legal and financial aspects, and knowledge of the Company's business and activities in particular.
- c) A member of the Board shall have the leadership skills that qualify him to grant powers, as required to drive performance, apply best practices in the field of effective management, and adhere to professional values and ethics.
- d) A member of the Board shall not suffer from any health issue that may hinder him from performing his duties and responsibilities.
- e) A member of the Board shall not be a member of the board of directors of more than five joint stock companies listed on the Exchange at the same time.
- f) A member of the Company's Board shall not be a member of the board of directors of another local insurance and/or reinsurance company, or one of its committees, or occupy a leadership position in such companies.
- g) Whoever occupied the same position in a liquidated company or was dismissed from the same position in another company shall not, except with the prior written consent of the Saudi Central Bank, be nominated for membership of the Board.
- h) Whoever wishes to nominate himself for membership of the Board shall disclose to the Board and the General Assembly any cases of conflict of interest in accordance with the procedures established by the Authority, including: Having a direct or indirect interest in the business and contracts made for the account of the Company he wishes to be nominated for its board of directors, and participating in a business that would compete with the Company in all or one of the branches of its activity.
- i) The Company may specify in writing the qualifications, experience and skills to be available in the members.
- j) The Company shall exercise due diligence to ensure the availability of the approved standards in the current and/or new members.

Article (27): Appointment of the Chairman and Vice Chairman:

The Board - after obtaining the Central Bank's no-objection - shall appoint a Chairman and a Vice-Chairman and may appoint a Managing Director of its members.

Article (28): Termination of a Board Membership:

- 1- The Board Membership shall terminate in the following cases:
 - a) The end of the session of the Board.
 - b) Board member resignation.
 - c) Board member death.
 - d) Having a mental illness or physical disability that may result in the member's inability to fully perform his duties and responsibilities.
 - e) A Judgment declaring the member's bankruptcy or insolvency, a request from the member for a settlement with his creditors, or failure of the member to pay his debts.
 - f) Convicting the member of committing any offence involving breach of honor or trust, or forgery, or of violating the applicable laws and regulations in the Kingdom of Saudi Arabia or in any other country.
 - g) Failure of the member to fulfill his duties in a way that affects the interest of the Company, provided that this shall accompanied by the approval of the Ordinary General Assembly.
 - h) The member's inability to continue exercising his responsibility under the provisions of any of the regulations in force in the Kingdom of Saudi Arabia.
 - i) At all times, the Ordinary General Assembly may dismiss all or any of the Board members, even if the Company's bylaws provides for otherwise, without prejudice to the dismissed member's right for compensation if the dismissal was on an unacceptable reason or at inappropriate time.
 - j) The General Assembly may also, as per a recommendation of the Board, terminate the membership of the member who missed three consecutive meetings without a legitimate excuse.
- 2- Upon resignation of any member or termination of his membership within (5) working days from the date of resignation or termination, the Company shall promptly notify the Saudi Central Bank.
- 3- Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Capital Market Authority and the Exchange and shall specify the reasons for such termination.
- 4- If a member of the Board resigns and has comments on the performance of the Company, he shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board.

Article (29): Vacancy in the Board:

- a) If a position of a member of the Board becomes vacant, the Board may appoint - temporarily - a member in the vacant position who shall have the sufficient experience, subject to the Saudi Central Bank's no-objection and regardless the voting order in the General Assembly through which the Board of Directors was elected; and the Capital Market Authority shall be informed thereof within five (5) five working days from the date of appointment. In

addition, such appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member shall only complete the term of his predecessor.

- b) Under a decision from the Competent Authority, the Ordinary General Assembly may be convened if the number of members falls below the minimum number required for the valid convention.

Article (30): Independent Members:

- a) An Independent Member shall be able to perform his duties, express his opinions and vote on decisions objectively with no bias in order to help the Board make correct decisions that contribute to achieving the interests of the Company.
- b) The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his independence.
- c) The issues affecting independence provided for in the definition of "Independent Member" in Article (2) hereof shall negate the independence requirement for an Independent Member.
- d) Subject to Article (31) hereof, an Independent Member shall actively participate in performing the following tasks:
 - 1- Expressing their independent perspective regarding strategic issues, the Company's policies and performance, and the appointment of members of the Executive Management;
 - 2- Ensuring that the interest of the Company and its Shareholders are prioritized in case of any conflicts of interest; and
 - 3- Overseeing the development of the Company's CG rules and overseeing their implementation by the Executive Management.
 - 4- Attending meetings in which important and fundamental resolutions are taken on the Company's position.

Chapter 2: Roles, Responsibilities and Duties of the Board:

Article (31): Responsibilities, Roles and Duties of the Board:

- a) The Board shall represent all Shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximize its value.
- b) Ensure that the interests of the insured are protected at all times.
- c) Each member of the Board shall comply with the principles of truthfulness, honesty, loyalty, and care of the interests of the Company and its Shareholders and prioritize their interests over his personal interests.
- d) The Board shall carry out its duties in a responsible manner, in good faith and with due diligence. Its resolutions shall be based on sufficient information from the executive management, or from any other reliable source.
- e) The Board shall approve a written and detailed policy that identifies the powers delegated to the Executive Management and the procedures and duration of the delegation. The Board shall also define the topics that it

reserves the power to decide on. The Executive Management shall submit periodic reports in respect of its exercise of such delegated powers.

- f) The Board shall the internal policies related to the business and development of the Company, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.
- g) The Board shall define the topics that it reserves the power to decide on.
- h) The Board shall develop procedures for orienting new Board members of the Company's business and, in particular, the financial and legal aspects, in addition to their training, where necessary.
- i) The Board shall ensure that sufficient information about the Company is made available to all members of the Board generally, and, in particular, to the non-executive members, to enable them to fulfill their duties and responsibilities in an effective manner.
- j) The Board shall Promote higher standards of corporate governance and ensuring compliance with applicable laws and regulations.
- k) The Board shall be responsible for promoting a culture of good corporate governance and high ethical standards.
- l) The Company's Board shall be responsible for its actions, and if it delegates committees, bodies, or individuals to exercise some of its competencies. In all cases, the Board shall not issue a general or indefinite delegation.
- m) Members of the Board shall perform their duties free from any external influence, whether from within or outside the Company. Members of the Board shall not allow their own personal interest, or the interest of the parties they represent, to come before, or in conflict with, that of the Company, its Shareholders, and other Stakeholders.
- n) The Board shall grant the audit committee the appropriate level of authority to investigate any matter within its mandate and shall ensure that the internal audit function is autonomous and is granted full access to all the information it needs to conduct its activities. In addition, the Board should take all necessary measures to ensure the responsiveness of Senior Management to internal auditors' queries.
- o) All individual members of the Board shall have the same proportionate control and influence over the resolutions of the Board.
- p) Members of the Board and its committees shall be prohibited from disclosing to Shareholders or the public any confidential information obtained as they perform their role, other than in the General Assembly, and shall not use such information for their own benefit and personal gain.

Article (32): Duties and Powers of the Board of Directors:

Subject to the functions prescribed for the General Assembly, the Board of Directors shall have the most extensive powers to manage the company to achieve its purpose, and within the limits of its function, it may authorize one or more of its members or third parties to perform certain work or works, in compliance with the

relevant laws and regulations. The duties and responsibilities of the Board of Directors shall include the following:

First: The Strategic Duties, including the following:

- 1) Strategic leadership of the company, setting goals and formulating strategic plans.
- 2) Adopting the strategic directives, and main objectives and operations of the company, as well as supervising their implementation, and reviewing them periodically, including:
 - (a) Developing the overall strategy, Main Action Plans and the Risk Management Policy and reviewing its direction.
 - (b) Determining the Optimal Capital Structure for the company, its Strategy and Financial Objectives, and approving Annual Balance Sheets.
 - (c) Supervising Major Capital Expenditures and acquiring and disposing of assets.
 - (d) Setting performance objectives and monitoring the overall implementation and performance of the company.
 - (e) Periodically reviewing and approving the organizational and functional structures of the company.
 - (f) Supervising the senior management and monitoring the company's performance against the performance objectives set by the Board.
 - (g) Verifying the availability of the financial human resources required to achieve the company's objectives and main plans.
- 3) Selecting and changing executive employees in key positions (when needed) and ensuring that the company has an appropriate succession policy.
- 4) Conducting strategic studies of the company aiming to identify, develop and deepen the company's strengths as well as identifying the weaknesses and addressing them.

Second: Operational and Organizational Duties:

- 1- Supervising the application and implementation of laws, regulations, and procedures issued by the relevant regulatory and supervisory authorities.
- 2- Establishing a corporate Governance Regulation, supervising it and monitoring its effectiveness, and amending it when needed.
- 3- Preparing clear and specific policies, standards, and procedures for the membership of the Board of Directors, in accordance with the relevant laws and regulations, and implementing them after obtaining the approval of the General Assembly.
- 4- Establishing systems and measures for internal control and supervising the same, including:

- a) Developing a written policy regulating conflict of interest and addressing potential conflict situations for each member of the Board of Directors, Executive Management and Shareholders, including misuse of the Company's assets and facilities, and misconduct resulting from dealings with related parties.
- b) Verifying the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
- c) Verifying the application of appropriate control systems to manage risks by defining the general perception of the risks that the company may encounter and discussing them with highest levels of transparency.
- d) Conducting effective annual review of the company's internal control procedures.

5- Developing policies and procedures that ensure the company's respect for the rules and regulations and its commitment to disclose material information to shareholders and other stakeholders and check the Executive Management commitment to the same.

6- Acting for achieving and developing profits at acceptable rates commensurate with the volume of investment and insurance activity in the Kingdom.

7- Supervising the company's financial management, its cash flows, and its financial and credit relations with others.

8- Preparing and approving the company's initial and annual financial statements before publishing them.

9- Preparing and approving the Board of Directors' Report prior to its publication.

10- Ensuring the accuracy and integrity of the data and information to be disclosed, in accordance with the applicable disclosure policies and regulations.

11- Establishing effective communication channels that allow shareholders to view the various aspects of the company's activities and any material developments on a continuous and periodic basis.

12- Developing a written policy regulating the relationship with stakeholders to protect them and preserve their rights. In particular, this policy shall cover the following:

- (a) Methods of indemnifying stakeholders in the event of violation of their rights.
- (b) Methods of settling complaints or disputes that may arise between the company and stakeholders.
- (c) Methods of establishing good relations with clients and maintaining the confidentiality of information related to them.
- (d) The rules of professional conduct of managers and employees of the company and developing Methods of monitoring compliance with the same.
- (e) The company's social contributions to community service.

13- Forming its committees in accordance with the relevant rules and regulations.

14- Making recommendation, to the General Assemblies, what it deems appropriate regarding the topics stipulated in the Companies Law, the Implementing Regulations thereof, and the relevant Laws and Regulations.

15- At the beginning of every year, the Board shall set a specific schedule for receiving reports from the relevant committees and internal and external auditors, and ensure that the method of collecting, preparing and submitting reports is proper and consistent with the approved internal policy, including preparing important information and submitting the same to the Board at the specified times.

16- Exercising the powers stipulated in the company's Articles of Association.

Third: Supervising the Executive Management:

The Board of Directors shall be responsible for forming the Executive Management of the company, regulating how it operates, controlling and supervising it, and verifying that it performs the duties assigned thereto. In this regard, it shall:

1- Develop the necessary administrative and financial policies.

2- Verify that the Executive Management operates in accordance with the policies approved thereby.

3- Choose and appoint the CEO of the company after obtaining the Saudi Central Bank No-objection Certificate, as well as supervising its work.

4- Hold periodic meetings with the Executive Management to discuss the course of work and the obstacles and problems encountered, and review and discuss important information regarding the company's activity and the sector in general.

5- Develop performance standards for the Executive Management in line with the Company's Objectives and Strategy.

6- Review and evaluate the Executive Management performance.

7- Develop succession plans for the Company's Management.

Article (33): Duties and Obligations of the Board Member

A Board member shall be committed to all the obligations arising from its membership in the Board of Directors, including, but not limited to, the following:

(a) Attending the meetings of the Board of Directors and the General Assembly on a permanent and regular basis and not to be absent from them, except for a legitimate ground notified to the Chairman of the Board of Directors in advance or for urgent reasons.

(b) Acting on complete information, in good faith, with due diligence and care in the interest of the Company and all shareholders.

(c) Improving its knowledge in the field of the company's activities and in the financial, commercial, insurance and any related fields.

- (d) Actively participating with the members of the Board of Directors to manage the company well and achieve its objectives.
- (e) Reviewing reports on the Company's performance.
- (f) Verifying the soundness and integrity of the company's financial statements and information.
- (g) Verifying that the company's Financial Control and Risk Management Systems are robust.
- (h) Contributing to preparing and following up the company's plans, programs, and projects.
- (i) Performing all the duties and responsibilities stipulated in this Regulation relating to the Chairman and Deputy Chairman of the Board in the event a member assumes any of these positions.
- (j) Reviewing and analyzing information related to the issues considered by the Board of Directors before giving an opinion thereabout.
- (k) Giving opinion about the appointment and removal of members of the Executive Management.
- (l) Completely and immediately informing the Board of Directors of any direct or indirect interest it has in the business and contracts concluded with the company. Such notification shall contain the nature and limits of that interest, the names of any persons involved therein, and the expected benefit to be directly or indirectly obtained from that interest, whether that interest is financial or non-financial. Also, such member shall not participate in voting on any decision made in this regard, pursuant to the provisions of the Companies Law and the Capital Market Law and the Implementing Regulations thereof.
- (m) Completely and immediately informing the Board of Directors of its direct or indirect participation in any business that may compete with the company, or directly or indirectly compete with the company in a branch of the activities it is engaged in, pursuant to the provisions of the Companies Law and the Capital Market Law and the Implementing Regulations thereof.
- (n) Not claiming any salaries, rewards, or financial privileges in return for its membership in the Board of Directors other than those prescribed therefor under the relevant laws and regulations and the company's Articles of Association.
- (o) Keeping confidential the company's secrets and not disclosing them.
- (p) A member of the Board of Directors shall resign from membership in the event that it is unable to fulfill its duties completely.

Article (34): Separation of Positions:

- 1- It is not permitted to hold the position of the Chairman of the Board of Directors while holding any other executive office in the company, including the Managing Director position.
- 2- The role of the Chairman of the Board and the Chief Executive shall be separated and may not be combined, and the responsibilities of the Chairman of the Board shall not overlap with the responsibilities of the Chief Executive Officer.

3- In all cases, no person may have the absolute power to make decisions in the company.

Article (35): Duties of the Chairman of the Board of Directors:

Without prejudice to any other control or supervisory requirements, the duties and responsibilities of the Chairman of the Board of Directors shall include, in addition to its responsibilities and duties as a member:

1- Organizing the work of the Board, including setting meeting agendas in consultation with the CEO and members, presiding over the Board Meetings, and supervising providing the Board of Directors with the information and reports it needs.

2- Verifying that the Board discusses all essential issues in an effective and timely manner.

3- Representing the company before the Judicial Authorities and supervising the relations between the Board and other internal and external bodies.

4- Supporting the efforts of the Board of Directors in raising the level and standards of Company Governance and ensuring compliance with the relevant laws and regulations.

5- Ensuring the existence of channels for actual communication with shareholders and communicating their opinions.

6- Encouraging and developing teamwork among Board Members by working on:

(a) Staying away from personal and public disputes and differences and acting for giving priority to the best interest of the company.

(b) Encouraging discussion of topics in meetings with full openness and cooperation among members to explain different points of view.

(c) Enhancing mutual respect among members and their appreciation of different points of view and listening to them with interest.

(d) Working on developing contact and communication between members and discussing some issues in a consultative and direct manner.

(e) Organizing formal and informal meetings between members on the company's various occasions and events.

(f) Organizing specialized training courses in the field of management and insurance, which ensure the development and deepening of the skills and knowledge of members.

7- Following up the performance of the Members of the Board and the Committees on the issues assigned to them.

8- Meeting periodically with the non-executive members of the Board of Directors without the presence of any executive member of the company.

9- Notifying the Ordinary General Assembly, when held, of the business and contracts in which a member of the Board of Directors has a direct or indirect interest.

10- The Chairman of the Board shall ensure that the Board performs its work responsibly and without undue interference in the Company's Operations.

Article (36): Duties of Deputy Chairman of the Board:

- 1- Presiding the meetings of the Board of Directors in the absence of the Chairman.
- 2- Presiding the meetings of the General Assembly in the absence of the Chairman of the Board.
- 3- Performing the work assigned to it by the Board of Directors or its Chairman.

Article 37: The Secretary of the Board:

- 1- The Board of Directors shall appoint a secretary from among its members or others, and its remuneration is determined by a decision of The Board of Directors.
- 2- 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 relevant laws and regulations and best practices in the field of Company Governance.
- 3- The Secretary of the Board of Directors may not be dismissed except by a decision of the Board.
- 4- The Secretary of the Board of Directors may not be appointed as the Secretary of the Audit Committee.
- 5- The responsibilities and competences of the Secretary shall be:
 - a) Coordinating the meetings of the Board and ensuring the availability of appropriate means of communication to exchange and record information between the Board and its committees, and the members of the Board of Directors.
 - b) Documenting the meetings of the Board of Directors and preparing minutes thereto that include the discussions and deliberations, stating the place and date of the meeting and the time of its beginning and end, documenting the decisions of the Board and the results of voting, keeping them in a special and organized register, recording the names of the members present and the reservations they made - if any, and signing these minutes by all attendant members.
 - c) Maintaining the reports submitted to the Board of Directors and the reports prepared thereby.
 - d) Providing the members of the Board of Directors with the dates of the meetings, providing them with agendas and related documents, and ensuring that they are delivered before the meeting, within no less than ten working days.
 - e) Verifying that the members of the Board of Directors commit to the procedures approved by the Board.
 - f) Presenting the draft of the minutes to the Members of the Board to give their opinions thereon before signing same.
 - g) Verify that the members of the Board of Directors have full and prompt access to a copy of the minutes of the Board Meetings and the information and documents related to the company.
 - h) Organizing the disclosures record of the members of the Board of Directors and the Executive Management in accordance with the provisions of the relevant laws and regulations.
 - i) Providing assistance and advice to the members of the Board of Directors. .
 - j) Organizing preparations for General Assemblies.

k) Performing any other duties assigned to it by the Board of Directors within the limits of its powers under the Law.

Chapter Three: Working Procedures of the Board:

Article (38): Board of Directors Meetings:

(1) The Board of Directors shall hold its meetings on a regular and periodic basis whenever required to exercise its duties effectively in a manner that achieves the objectives and interests of the company and its shareholders. The organization of the Board of directors Meetings shall be as follows:

(a) **The new Board of Directors:** the new Board of Directors elected by the General Assembly meets for the first time immediately after its election and the conclusion of the work of the General Assembly - if possible -.

(b) **Periodic Meetings:** The Board of Directors shall hold 4 meetings within the year, provided that there shall be a meeting every three months.

(c) **Emergency meetings:** It may be called for Emergency Meetings according to the following:

1- At the call of the Chairman of the Board.

2- At the request of two members of the Board.

(2) The Non-Executive Board Members shall hold closed meetings without the attendance of the Management Members at least once a year. The Non-Executive Board Members may call any of the employees of the Control Positions to attend these meetings.

(3) Organizing the call for the meetings of the Board shall be according to the following:

(a) The invitation shall be documented and written in the manner deemed by the Board, for example but not limited to, sent by e-mail, fax, registered mail, or by hand.

(b) The Secretary shall send the invitation, the agenda and related documents at least ten working days before the meeting.

(c) In Emergency Meetings, the invitation and related documents may be sent less than five working days before the date of the meeting.

Article 39: Quorum for the Board Meeting:

1- The meeting of the Board shall not be valid unless it is attended by (two-thirds) of the members in person or by proxy, provided that the number of members present in person is at least (four) members, including an independent member.

2- A member may delegate another member to attend the meetings of the Board and to vote therein.

Article 40: Board of Directors Decisions:

1- The decisions of the Board shall be issued by majority of the opinions of the members present or represented therein, and when the opinions are equal, the side to which the chairperson voted shall prevail.

2- The Board of Directors may issue decisions in urgent matters by submitting them to the members separately unless one of the members requests - in writing - the

meeting of the Board to deliberate thereon, in which case these decisions are submitted to the Board of Directors in the first following meeting.

Article (41): Board Deliberations:

- 1- The deliberations of the Board shall be recorded in minutes documenting any discussions that took place in the meeting, decisions and voting process that took place during the meeting, including objection and abstention (with reasons, if any). Any documents or papers referenced during the meetings shall be attached.
- 2- If any of the members of the Board of Directors has comments about the performance of the company or any of the issues considered, which they have not been decided upon at the Board meeting, they shall be written down and the actions taken or deemed to be taken by the Board regarding them shall be indicated in the minutes.
- 3- If a member of the Board of Directors gives an opinion different from the board decision, it shall be recorded in detail in the minutes.
- 4- The minutes shall document the place, date, start and end time of the meeting.
- 5- The minutes of the Board of Directors shall be signed by the chairman of the meeting and the present members of the Board of Directors.
- 6- The minutes of the Board shall be recorded in a special register signed by the Chairman and the Secretary of the Board.
- 7- The minutes of the hearings shall be distributed to the concerned parties within a period not exceeding fifteen days, along with identifying the person or entity responsible for executing the decisions made.

Article 42: Providing Board Members with Information:

The company's executive management shall provide the members of the board of directors, non-executive members in particular, and the company's committees, with all the necessary information, data, documents and records, provided that they are complete, clear, true and not misleading, and in a timely manner to enable them to perform their duties and tasks.

Article 43: Communication with the Board:

- 1- All shareholders and stakeholders may communicate with the Board for the purpose of verifying and inquiring about the extent of compliance with the Governance regulation and the approved regulations in the company and the way it conducts its business in accordance with the relevant regulations.
- 2- The Board shall be contacted in one of the following ways:
 - (a) Communicating with the Company Shareholders Affairs
 - (b) The company email.
- 3- The Board authorizes whomever it deems appropriate from its committees or the Executive Management to answer questions and inquiries received from shareholders.

Part IV: Board Committees:

Chapter One: General Provisions:

Article 44: Formation of Committees:

- 1) The Board of Directors (BOD) shall form specialized committees to expand the scope of its work according to the company's needs and circumstances, and it shall include, at a minimum, the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, the Investment Committee and Risk Management Committee.
- 2) The BOD shall have the authority to form any other committees it deems necessary to assist it in carrying out the tasks and responsibilities entrusted thereto, including but not limited to - the Compliance Committee, Governance, Disclosure, Human Resources Committee, and Strategic Development ... etc. and to grant such committees the necessary powers to perform their work and monitor their performance.
- 3) The formation of the committees shall be pursuant to the provisions of the relevant laws and regulations.
- 4) The number of committee members shall be no less than three and no more than five.
- 5) The Saudi Central Bank shall obtain NOC to the appointment of the heads and members of the sub-committees, and the company shall notify the Authority of the names of the members of the committees and their membership descriptions 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 those changes.
- 6) The BOD shall adopt an organizational chart for each of the committees it forms, and that each of such committees has general procedures set by the BOD that define the committee's tasks, the duration and scope of its work, the powers granted thereto, the responsibilities entrusted thereto, and the BOD's oversight mechanism therefor.
- 7) Each committee shall be deemed liable for its actions before the BOD, without prejudice to the responsibility of the BOD for such actions and the powers or authorities delegated thereto.
- 8) The heads of the committees or their representatives from among their members shall attend the general assemblies to answer the shareholders' questions.
- 9) The members of the committees or the parties related thereto, when issuing or renewing any insurance policy from the company, shall pay the due premium and disclose the same to the BOD immediately as per the statutory requirements. Such insurance policy shall be dealt with and quoted or any claim related to such documents as per the regulations applicable to customer claims and without preferential treatment, and the statutory controller shall be notified of any compensation due to the member.
- 10) The company may not provide a cash loan of any kind to members of the committees, or guarantee any loan contracted by one or more of them with third parties.
- 11) The committees of the BOD may seek the assistance of any advisory body from outside the company to carry out specific tasks in order to assist them in performing their work.

I. Audit Committee:

Article 45: Formation of the Committee:

(a) The Audit Committee shall be an independent committee that is directly linked to the company's BOD and is liable for monitoring the performance and application of the company's internal control regulations, ensuring the efficiency and effectiveness of the regulations, verifying the implementation of decisions related to internal control, and ensuring compliance with the cooperative insurance companies' control system and its executive regulations. Laws, regulations and other relevant instructions in addition to the terms of reference set forth later in this chapter.

(b) The BOD shall obtain a written NOC from the Saudi Central Bank to select the members of the Audit Committee, and the Audit Committee shall be formed by a resolution passed by the Ordinary General Assembly, provided that the number of its members is not less than three and not more than five of the independent BOD members, and that most of them shall be from outside the BOD, whether shareholders or others. The resolution shall specify the tasks of the committee, the controls for its work, and the remuneration of its members.

(c) The member of the BOD nominated for membership in the Committee shall be independent.

(d) A member of the audit committee shall not be a member of the BOD or the audit committee of any other company operating in the insurance sector in Saudi Arabia.

(e) The committee member shall not be one of the company's executive directors, employees, advisors, BOD members, directors, employees, advisors or employees of any of the parties related to the company, including but not limited to:

1. Main shareholders or founders.
2. External auditors
3. Suppliers.
4. Company clients.
5. Legal persons who have a financial or commercial relationship or first-degree kinship with the company's BOD or the company's executive employees.

(f) A person who worked during the past two years within executive or financial management of the company, or with the company's auditor, shall have no right to be a member of the audit committee.

(g) The member of the audit committee shall have reasonable knowledge of the financial and accounting rules, and it is preferable that he has an appropriate scientific qualification in this field. The BOD shall ensure that members of the Audit Committee are qualified to fulfill their responsibilities, and at least two members of the Committee, including the Chairman of the Committee, shall have recent and relevant experience in the field of accounting and financial management.

Article 46: Expiry of Membership

(a) The membership of the Audit Committee shall terminate with the expiry of the term of membership of the BOD, and the committee or one of its members may be renewed for another three years for one time only. The BOD may appoint new members to the Audit Committee in the event of electing a new BOD after obtaining a written NOC from the Saudi Central Bank, and the appointment shall be as per

what is stated in Paragraph (a) of Article 45 of such Regulations. The membership of the Audit Committee also terminates immediately if there is any change that would violate the membership conditions contained in the regulations of audit committees in insurance and reinsurance companies issued by the Saudi Central Bank or any other laws, regulations, instructions or decisions issued by the competent authorities. A member of the Audit Committee shall inform the company in writing as soon as this change occurs. A member of the Audit Committee shall not be entitled to attend any meeting of the Committee held after the date of the change.

(b) The BOD, after obtaining NOC from the Saudi Central Bank, may dismiss any of the members of the Audit Committee in the event of losing the conditions of membership or committing a violation of the provisions of the Regulations for Audit Committees in Insurance and Reinsurance Companies, the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, or the provisions of the Companies Law or the provisions of the regulations and other relevant instructions.

(c) A member of the Audit Committee may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable to the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and provide the Saudi Central Bank with a copy of the resignation request within five working days from the date thereof.

(d) A member shall be deemed to have resigned from the membership of the Audit Committee if he fails, without an excuse acceptable to the BOD, to attend the meetings of the Audit Committee for more than three consecutive sessions.

Article 47: Vacancy in the Committee

If the position of a member of the Audit Committee becomes vacant during the term of membership, the BOD shall appoint, within a maximum period of one month from the vacancy of this position - after obtaining written NOC from the Saudi Central Bank - another member in the vacant position, provided that the appointment is presented to the General Assembly in its first meeting, and the new member completes the term of the previously appointed member.

Article 48: Audit Committee Action Plan

The audit committee shall develop a work guide approved by a resolution passed by the BOD that includes the rules, responsibilities and obligations of the audit committee. The audit committee shall also develop a detailed annual work plan that includes the main topics that it shall discuss during the year and the dates of its meetings.

Article 49: Appointment of Committee Chairman and Secretary

(a) The BOD shall appoint one of the members of the Audit Committee as its chairman after obtaining a written NOC from the Saudi Central Bank. It may also choose from among its members or from among the company's employees a

secretary for the committee who shall prepare the minutes of its meetings and schedules its dates in coordination with the committee chair, and shall undertake administrative work, documenting and keeping the minutes of the Audit Committee's meetings in a special record therefor. The Secretary of the Audit Committee shall not be entitled to be a secretary of any other committee of the BOD.

(b) The Chairman of the BOD shall not be entitled to be a member or chair of the Audit Committee.

(c) The Chairman of the Audit Committee shall not be entitled to have a kinship, financial or commercial relationship with any member of the BOD.

(d) The chairman of the committee shall not be entitled to have a relationship with the company's senior management that may affect his independence.

Article 50: Convening Meetings, Quorum and Committee's Decisions

(a) The committee shall meet at a call of its chairperson, and the committee's meeting is not valid unless attended by majority of its members, and a member of the committee shall not be entitled to delegate someone else to attend the committee's meetings.

(b) The Audit Committee shall hold at least six meetings per year, including the annual meeting with the BOD. The Audit Committee may, when necessary, hold other meetings in response to any of the following, for example, but not limited to:

(1) A call of the Chairman of the BOD.

(2) Cases in which the external or internal auditor, compliance officer or actuarial expert calls a meeting if needed.

(3) Meetings on other matters such as:

- Financial and audit matters.
- Systemic issues.
- Conflict of interest.
- Code of professional and ethical conduct.

(c) The Audit Committee invites whomever it deems appropriate from inside or outside the company to attend its meetings if need be.

(d) The decisions of the committee are issued by majority of the members present, and when the votes are equal, the vote of the chairman of the committee is considered casting, and it is not permissible to vote on its decisions on behalf or by proxy of one of the members. It is signed by the head of the committee and its secretary.

Article 51: Powers of the Committee

The Audit Committee may communicate directly with the BOD and senior management in the company, all employees, committees, legal advisors, internal and external auditors at the head office and/or branches of the company, as well as other parties related to the company. its records and documents and request any clarification or statement from the members of the BOD or the executive management, and it may ask the BOD to invite the company's general assembly to convene if the BOD obstructs its work or the company suffers serious damage or losses.

Article 52: Function of the Committee

The Audit Committee shall be responsible for monitoring the company's business and verifying the integrity of reports, financial statements, and internal control regulations. The duties of the committee shall include, in particular, the following:

(a) Financial Reports:

- 1) Examining the annual and interim financial statements of the company before approving them and presenting them to the BOD and making recommendations thereon, in order to reach a conviction that they do not include any incorrect phrases, statements or information of relative importance, and that no data, information or amounts of relevance have been omitted from such statements, and that no data, information or amounts of relative importance have been deleted from such statements, the deletion of which results in the financial statements being misleading and to ensure their integrity and transparency.
- 2) Expressing a technical opinion - at the request of the BOD - on whether the BOD's 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 strategies.
- 3) Examining any important or unfamiliar issues included in the financial reports.
- 4) Carefully researching any issues raised by the company's financial manager, or whoever undertakes his duties, the company's compliance officer, or the auditor.
- 5) Checking the accounting estimates in the material issues contained in the financial reports.
- 6) Examining the accounting policies used in the company and expressing an opinion and recommendation to the BOD in this regard, taking into account the appropriateness of the accounting policies for the nature of the company's business, its impact on the company's financial position, and the results of its business.
- 7) Discussing the preliminary annual and quarterly financial statements with the external auditors and the company's senior management before issuing them.

(b) Internal Audit:

- 1) Overseeing and supervising of the company's internal audit department for the purpose of verifying its effectiveness in carrying out the tasks and tasks assigned thereto by the BOD.
- 2) Examining the company's risk management regulations and evaluating the effectiveness of the company's assessment of the important risks that it may be exposed to and the steps taken by the company's management to monitor and confront such risks.
- 3) Examining the audit plan for the internal auditors and giving their comments thereon.
- 4) Examining the internal audit reports and following up the implementation of the corrective measures for the remarks contained therein, and submitting recommendations regarding them to the BOD.

- 5) Ensuring the independence of the members of the BOD and the senior management of the company.
- 6) Ensuring the independence of the internal audit department or the internal auditor in the performance of their tasks, and verifying that there is no restriction on their work or the existence of anything that could negatively affect their work.
- 7) Appointing and dismissing the director of the internal audit department or the internal auditor after obtaining a written NOC from the Saudi Central Bank.
- 8) Determining the monthly salary, incentive bonus and other rewards for the internal audit department or the internal auditor in line with the internal regulations of the company approved by the BOD.
- 9) Examining the reports of the actuary and making recommendations thereon to the BOD.

(c) Regulatory Control and Compliance:

- 1) Examining and approving the compliance plan and following up on its implementation.
- 2) Verifying the company's compliance with the relevant laws, regulations, policies and instructions, and ensuring that the company does not violate any of them.
- 3) Ensuring the company's commitment to implementing the actuarial expert's suggestions and recommendations when they are mandatory as per the regulations and instructions issued by the Saudi Central Bank and the relevant supervisory and supervisory authorities.
- 4) Reviewing and following up the reports issued by the relevant supervisory and supervisory authorities and submitting a vote on them to the BOD.
- 5) Reviewing the contracts and transactions proposed to be conducted by the company with related parties and present its views in this regard to the BOD.
- 6) Appointing and dismissing the Director of the Compliance Department or the Compliance Officer after obtaining the Saudi Central Bank's NOC in writing.
- 7) Ensuring the independence of the Compliance Department or the Compliance Officer in performing their duties, and verifying that there is no restriction on their work or the existence of anything that could negatively affect their work.
- 8) Determining the monthly salary, incentive bonus and other rewards for the Compliance Department or the Compliance Officer in line with the internal regulations of the company approved by the BOD.
- 9) Following up the important lawsuits filed by or against the company with the Compliance Department or the Compliance Officer and submitting reports thereon to the BOD.
- 10) Raising the matters it deems necessary to take action against to the BOD, and making recommendations for the actions to be taken.

(d) Auditor:

- 1) Recommending the BOD to nominate and dismiss auditors, determine their fees and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contract, and this includes ensuring that

the nominated external auditors have the necessary expertise to review the business of insurance and/or reinsurance companies.

2) Ensuring that the scope of the external audit includes several matters, including but not limited to:

(a) Evaluating the internal control system, including the accounting system, from both the theoretical and practical perspectives.

(b) Conducting tests on a selected sample of the company's financial operations.

(c) Contacting the company's debtors and creditors or others for the purpose of confirming balances or for other purposes.

(d) Monitoring the inventory operations, including what is carried out in the company's branches.

(e) Complying with the audit standards adopted in the Kingdom for the purpose of verifying that the financial statements as a whole:

1. Justly clarify the company's financial position and the results of its activities for the fiscal year ending on that date shall be fairly shown in light of the presentation and disclosure of the information contained in the financial statements as per generally accepted accounting standards and appropriate to the company's circumstances.

2. comply with the requirements of the Companies Law, the Company's Articles of Association, and all relevant regulations regarding the preparation and presentation of financial statements.

(f) Inform the company's officials in writing of the comments made to the accountant when performing the audit.

3) The Audit Committee shall follow up the work of certified accountants and approve any work outside the scope of the audit work they are assigned to while performing the audit work.

4) The committee shall verify the auditor's independence, objectivity and fairness, and the effectiveness of audit work, taking into consideration the relevant rules and standards.

5) The committee shall be the link between the external auditor and the BOD, enabling the external auditor to carry out his work free from any restrictions or influences by the BOD and the company's management

6) Reviewing and examining the auditor's audit plan and its work, and verify that it has not submitted technical or administrative works that are outside the scope of audit work, and express its views and observations in this regard.

7) Examining the chartered accountant's notes on the financial statements and reports and following up on what has been done thereon.

8) Answering the company's auditor's inquiries.

9) Ensuring the independence of the company's external auditor and the extent of his commitment to impartiality and objectivity when presenting audit evidence and evidence and when reaching an opinion on the financial statements.

10) Examination of the scope and method of the external auditor's work and the extent to which it coordinates its activities with that of the company's internal audit department, and the lack of duplication between its tasks and those of the internal audit.

- 11) Ensuring the coordination of the external audit work in the event that there is more than one external auditor of the company.
- 12) Meeting with the external auditor to discuss the company's financial statements and to ensure that they state the fair financial position of the company and what he sees as observations in this regard.
- 13) Reviewing the financial disclosure submitted by the company's management to the external auditor, and expressing its views on it to the BOD.
- 14) Considering the performance of the external auditor and recommending to the BOD to re-assign him or to terminate the contract with him.
- 15) Considering the divergence of views that may arise between the external auditor and the company's management.

Article 53: Seeking the Assistance of Consulting Entities

The Audit Committee may seek the assistance of any advisory body from outside the company to carry out specific tasks in order to assist it in performing its work.

Article 54: Appointing the Company's Auditors

(a) The company's management shall invite certified public accountants who have been nominated by the audit committee. Such invitation shall contain the scope of the task indicated in the second paragraph of item (d) of Article 51, in addition to the conditions and obligations that the company deems necessary to complete the audit process. The BOD shall enable such accountants to view the data and clarifications they require in order to identify the size and nature of the company's operations. Each accountant shall submit an offer to audit the company's accounts and an overview of his office, including in particular the following:

- 1) The scientific and professional qualification of the members of the work team that shall conduct the review, and their names and nationalities.
- 2) A clarification on the quality control of work in his office.
- 3) The entities that he intends to hire for the purposes of auditing the company's accounts (if any), the aspects in which they shall participate, the nature of their participation, their qualifications, and the experiences of the individuals who shall be used in this regard.
- 4) The office's previous experience in auditing similar companies.
- 5) The size and indication of the branches of the office, and the number of technical staff working in the office.
- 6) The number of hours prescribed for each member of the work team (partner, audit manager...etc.)
- 7) The kinship relationship between the chartered accountant, or the auditing team, and the members of the BOD and/or the senior executive management (if any), and the work relationship between the chartered accountant and the company, or any member of its BOD (if any).
- 8) The expected date of preparing his report on the company's financial statements.
- 9) Audit fees.

- (b) The company's management shall prepare a comparative table of the offers submitted by the certified accountants as per the data referred to in Article 23, and shall submit it to the Audit Committee, accompanied by the offers and statements submitted by the certified accountants.
- (c) The Audit Committee shall examine the comparative table, the offers submitted by the legal accountants, and the data attached thereto, and it may invite the audit team of each office separately to a meeting during which the presentation submitted by them shall be discussed.
- (d) The committee shall prepare a letter in which it is presented to the BOD, including a summary of its analysis of the submitted offers, and nominate one or more chartered accountants to audit the company's accounts and state the basis on which the nomination was made.
- (e) The company's BOD shall present to the ordinary general assembly the recommendation submitted thereto by the audit committee, indicating the names of the certified accountants who submitted their offers, and then their nomination by the audit committee to audit the company's accounts, and a statement of the auditing fees and the basis for the nomination, and the number of candidates shall not be less than two auditors.
- (f) The Ordinary General Assembly shall appoint the company's auditors based on the nomination of the BOD with determining their remuneration and term of work and may reappoint them. The Assembly may also change them at any time without prejudice to their right to compensation if the change occurs at an inappropriate time or on an illegitimate ground.
- (g) The period of the audit conducted by the audit office shall not exceed five consecutive years, and a period of two years shall elapse before re-auditing.

Article 55: Remuneration of Audit Committee Members and Secretary:

- (a) A member of the Audit Committee shall be entitled to an attendance bonus for each of its sessions. The value of the remuneration is determined according to a policy approved by the BOD, so that it is acceptable in comparison with the remuneration of members of the BOD.
- (b) The resolution passed by the company's ordinary general assembly regarding the formation of the audit committee shall include the value of its members' remuneration.
- (c) The Secretary of the Audit Committee shall be entitled to a remuneration for the accomplishment of his duties for each of its sessions, and the value of the remuneration shall be determined by a resolution issued by the BOD.

Article 56: Responsibility of the Committee

The members of the Audit Committee shall be deemed liable before the Saudi Central Bank, the company's shareholders and the company's BOD for implementing the provisions of such Regulations of Audit Committees issued by the Saudi Central Bank, and for implementing the action plan of the Audit Committee.

Article 57: Conflict between the Audit Committee and the BOD:

If there is a conflict between the recommendations of the Audit Committee and the resolutions of the BOD, or if the BOD refuses to accept the Committee's recommendation regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance, or appointing the internal auditor, the BOD' report shall include the Committee's recommendation and its justifications, and the reasons for not taking them.

Article 58: Order of Notes submission:

The Audit Committee shall establish a mechanism that allows employees of the company to submit their observations regarding any abuse in financial or other reports in confidence. The committee shall verify the application of this mechanism by conducting an independent investigation commensurate with the extent of the error or abuse and identifying appropriate follow-up procedures.

Article 59: Audit Committee's Report:

- a) The audit committee shall prepare a report that includes the following:
- 1- For its recommendations and opinion regarding the adequacy of the internal and financial control system and risk management in the company.
 - 2- Details of its performance of its functions and tasks stipulated in the Companies Law and its implementing regulations.
- b) The BOD shall deposit sufficient copies of the audit committee's report at the company's head office and publish it on the company's website and the market's website when the paper is published.
- b) The BOD shall keep sufficient copies of the audit committee's report at the company's head office and publish it on the company's website and the market's website when publishing the invitation to convene the general assembly, to enable shareholders who wish to obtain a copy of it, and a summary of the report is read during the assembly.

Article 60: Conflicts of Interest (Members of the Audit Committee):

- (a) A member of the Audit Committee shall not be entitled to have a direct or indirect interest in the business and contracts that are done for the company's account, and a committee member shall not be entitled to participate in any business that would compete with the company, or trade in any of the branches of the activity that he practices, otherwise The company could claim compensation from him, or consider the operations he conducted for his own account to have been conducted for the company's account.
- (b) The members of the Audit Committee or the parties related thereto, when issuing or renewing any insurance policy from the company, shall pay the due premium in full, and it shall be treated and quoted, or any claim related to such documents shall be as per the regulations applicable to customer claims and without preferential treatment, and the statutory controller shall be notified Any compensation due to the member.
- (c) The company shall not be entitled to provide a cash loan of any kind to members of the Audit Committee, or guarantee any loan contracted by one or more of them

with third parties, and any contract concluded in violation of the provisions of such regulations or the work regulations of the Audit Committee approved by the General Assembly shall be considered void.

II. The Executive Committee:

Article 61: Purpose:

The main purpose of the Executive Committee of the BOD shall be to assist the BOD with performing the activities and duties assigned thereto by the BOD, and to expand the scope of its work in specialized areas to facilitate the company's operations.

Article 62: Formation of the Committee

The BOD shall obtain a written NOC from the Saudi Central Bank for the appointment of the members of the Executive Committee, provided that the number of its members shall be no less than three and no more than five BOD members. The Executive Committee may consist of executive and non-executive members, and the term of its membership shall be linked to the term of the BOD.

Article 63: Appointing the Committee Chairman and Secretary

(a) The Executive Committee shall elect one of its members as its chairperson, and the BOD issues a resolution to appoint him after obtaining the Saudi Central Bank's NOC in writing. It may also choose from among its members or from among the company's employees a secretary for the Committee, who prepares the minutes of its meetings and schedules their dates in coordination with the Chairman of the Committee and undertakes the administrative work and documenting and keeping the minutes of the committee's meetings in a special register therefor, and its remuneration shall be determined by a resolution passed by the BOD.

(b) The Secretary of the Audit Committee may not be appointed as a Secretary of the Executive Committee

Article 64: Convening the Meeting and the Quorum

(a) The committee shall meet at a call of its chairperson, and the committee's meeting is not valid unless attended by majority of its members.

(b) The Committee shall meet periodically provided it shall be no less than six meetings per year, and the Committee may, when necessary, hold other meetings.

(c) The Committee may hold its meetings remotely and through electronic means such as telephone and video calls.

(d) The committee shall invite whomever it deems appropriate from inside or outside the company to attend its meetings if the need arises.

(c) Those other than members of the Committee shall not be entitled to attend the meetings of the Committee except upon an invitation therefrom.

Article 65: Committee Decisions

The decisions and recommendations of the committee shall be issued by majority of the present members, and in case of a tie, the vote of the committee chairman shall be considered a casting one.

Article 66: Duties & Responsibilities of the Committee

- (a) Assisting the BOD with performing the activities and tasks assigned thereto by the BOD to facilitate the operations and business of the Company.
- (b) Assisting the BOD with setting the company's main strategic plans and objectives and the necessary budgets to achieve that strategy and recommend to the BOD for approval.
- (c) The Committee, with the assistance of the BOD, reviews the company's performance strategy on a periodic basis to verify whether the company has achieved its goals in the short and long term.
- (c) The committee monitors the financial and operational performance of the company.
- (e) Monitor the technologies used in the company and recommend to the BOD to enhance and develop them whenever the need arises.
- (f) Assist the BOD in developing plans to define the company's vision and mission.
- (g) Ensure the implementation of the main policies of the company approved by the BOD.
- (h) Review the company's annual, periodic, or submitted work plan according to regulatory requirements, to propose its amendment and to recommend it to the BOD for approval.
- (i) Review the company's annual budget and recommending its approval to the BOD.
- (j) The committee shall be deemed liable for setting the processes, policies and executive procedures to be followed during the implementation of the daily operations in the company. such obstacles.
- (k) The committee shall explore means of business development in a cost-effective and efficient manner and to meet customer satisfaction.
- (l) The committee may review the capabilities of the strategic partners in any projects that the company wishes to enter or undertake.
- (m) In cases that require reorganizing the company, such as a merger, acquisition, or capital increase, the Executive Committee shall submit its recommendations to the BOD in this regard.
- (n) Perform any other tasks delegated to the Executive Committee by the BOD within the limits of its competence and in a manner that does not conflict with the applicable laws, regulations, instructions and circulars issued by the supervisory authorities.

Article 67: Powers of the Committee

The Executive Committee may directly communicate with the BOD, the senior management of the company, all employees, committees, legal advisors, internal and external auditors in the head office and/or branches of the company, as well as

other parties related to the company, and for this purpose, it may view its records and documents to facilitate carrying out its tasks entrusted thereto.

Article 68: Reports of the Executive Committee

The Executive Committee shall submit its reports to the BOD, provided that it includes, at a minimum, a summary of its work and the recommendations and decisions issued.

Article 69: Remuneration and Attendance Allowance:

A member of the Executive Committee shall be entitled to an attendance allowance for the sessions and remuneration as per remuneration policies of the members of the BOD, its committees, and the approved executive management.

Article 70: Evaluation of the Committee's Performance:

- (a) The committee evaluates its performance annually according to the form prepared for this and submits its evaluation to the BOD
- (b) The Nomination and Remuneration Committee shall periodically evaluate the performance of the members of the Committee.

Article 71: Expiry of Membership

- (a) The membership of the Executive Committee shall expire upon the expiry of the term of membership of the BOD, and the Committee or one of its members may be renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.
- (b) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.
- (c) A committee member may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable to the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and provide the Saudi Central Bank with a copy of the request Resignation within five working days of its date.
- (d) A member shall be deemed to have resigned from the membership of the Executive Committee if he fails, without an excuse acceptable to the BOD, to attend the meetings of the Committee for more than three consecutive sessions.

Article 72: Vacancy in the Committee

- (a) If the position of a member of the Executive Committee becomes vacant during the term of membership and this affects the fulfillment of the statutory limit for forming the committee, the BOD shall, within a maximum period of 30 working days, appoint a member, after obtaining a written NOC from the Saudi Central Bank.

(b) If the position of a member of the Executive Committee becomes vacant during the term of membership and does not affect the fulfillment of the statutory limit for forming the committee, the BOD may - after obtaining the Saudi Central Bank's NOC in writing - appoint another member in the vacant position.

III. Risk Management Committee:

Article 73: Purpose:

The main purpose of the Risk Management Committee of the BOD, is to assist the BOD in performing the activities and tasks as delegated thereto by the BOD, in particular with aspects related to risk management, including but not limited to, the responsibility of supervising and monitoring the management of risks to which the company is exposed and following up the implementation of the policy risk tolerance.

Article 74: Formation of the Committee

The BOD shall obtain the Saudi Central Bank's NOC in writing to appoint members of the Risk Management Committee who possess the relevant qualifications and experience, provided that the number of its members is not less than three and not more than five BOD members, and the Risk Management Committee may consist of executive members. and non-executive, and the term of its membership is linked to the term of the BOD.

Article 75: Appointment of the Chairman and Secretary of the Committee

The Risk Management Committee elects one of its members as its chairman, and the BOD issues a resolution appointing him after obtaining a written NOC from the Saudi Central Bank. The minutes of the committee's meetings shall be kept in a special register, and its remuneration shall be determined by a resolution passed by the BOD.

Article 76: Convening the Meeting and the Quorum

(a) The committee meets at the invitation of its chairperson, and the committee's meeting is not valid unless attended by majority of its members.

(b) The committee meets periodically, provided that it is not less than four meetings per year, and the committee may hold other meetings whenever the need arises.

(c) The Committee may hold its meetings remotely and through electronic means such as telephone and video calls.

(d) The committee invites whomever it deems appropriate from inside or outside the company to attend its meetings if the need arises.

(c) Non-members of the Committee shall not be entitled to attend the meetings of the Committee except upon an invitation therefrom.

Article 77: Committee Decisions

The decisions and recommendations of the committee are issued by majority of the members present, and when the votes are equal, the vote of the committee chairman is considered casting.

Article 78: Committee responsibilities and tasks:

- a) Determining the risks that the company may be exposed to, and maintaining an acceptable level of risks specific to the company.
- b) Overseeing risk management regulations and evaluating their effectiveness.
- c) Verifying the feasibility of the company's continuation and its successful continuation of its activities, with identification of the risks that threaten its continuity during the next twelve months.
- d) Developing a comprehensive risk management policy for the company, supervise its implementation, reviewing and updating it periodically, taking into account the relevant internal and external changes.
- e) Reviewing the risk management policies.
- h) Periodically reviewing and reassessing the level of the company's risk appetite, and the extent of its exposure to risks.
- f) Submitting detailed reports to the BOD about potential risks and giving recommendations on ways to manage them.
- g) Advising the BOD on matters relating to risk management.
- h) Ensuring the availability of adequate resources and regulations to manage risks.
- i) Reviewing the organizational structure of risk management and making recommendations in this regard prior to being approved by the BOD.
- j) Verifying the independence of risk management personnel from activities that may expose the company to risks.
- k) Verifying that the risk management staff understand the risks surrounding the company and working to raise awareness of the risk culture.
- l) Reviewing issues raised by the Audit Committee that may affect risk management in the company.

Article 79: Reports of the Risk Management Committee

The Risk Management Committee shall submit its reports to the BOD, provided that it includes, at a minimum, a summary of its work and the recommendations and decisions issued.

Article 80: Remuneration and attendance allowance:

A member of the Risk Management Committee shall be entitled to an attendance allowance for the sessions and remuneration as per the remuneration policies of the members of the BOD, its committees, and the approved executive management.

Article 81: Evaluation of the Committee's Performance:

- (a) The committee evaluates its performance annually according to the form prepared for this and submits its evaluation to the BOD
- (b) The Nomination and Remuneration Committee shall periodically evaluate the performance of the members of the Committee.

Article 82: Expiry of Membership

(e) The membership of Risk Management Committee shall terminate upon the expiry of term of the BOD's membership. The committee or one of its members may be

renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.

(f) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.

(g) A member of the committee may resign, provided that he shall submit his resignation application to the BOD one month prior to the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he shall be deemed liable before the company. The company shall notify the Saudi Central bank in writing of the resignation of the member and reasons for his resignation and shall provide the Saudi Central bank with a copy of resignation application within five working days of the date thereof.

(h) A member is deemed to have resigned from the committee's membership if he fails, without an excuse acceptable to the BOD, to attend the committee's meetings for more than three consecutive sessions.

Article 83: Vacancy in the Committee

(c) If the position of one of the members of the Risk Management Committee becomes vacant during the term of membership and this affects the fulfillment of the statutory limit for forming the committee, the BOD shall, within a maximum period of 30 working days, appoint a member, after obtaining the Saudi Central Bank's written NOC.

(d) If the position of a member of the Executive Committee becomes vacant during the term of membership and does not affect the fulfillment of the statutory limit for forming the committee, the BOD may - after obtaining the Saudi Central Bank's NOC in writing - appoint another member in the vacant position.

IV. The Nomination and Remuneration Committee

Article 84: Purpose:

The main purpose of the BOD Nomination and Remuneration Committee is to set criteria and policies for candidacy for BOD membership, review candidacy requests, and set policies and standards for remuneration and remuneration of BOD members and senior executives.

Article 85: Formation of the Committee

a) The Nomination and Remuneration Committee shall be composed of at least three members, chosen by the company's BOD for a period of no more than three years and not less than one year, and that two independent members shall be among the appointed members.

b) A member of the Nomination and Remuneration Committee shall not be entitled to be an executive member of the BOD, or anyone who performs technical or administrative work in the company, even as a matter of consultation.

Article 86: Appointment of the Chairman and Secretary of the Committee

The committee shall choose from among its members a chairman. This committee cannot be presided over by the chairman of the BOD. It may also appoint from among its members or from the company's employees a secretary who prepares the minutes of its meetings and schedules their dates in coordination with the chairman of the committee. Such secretary shall carry out the administrative work, documenting and maintain the minutes of the audit committee's meetings in a special record therefor. This committee cannot be presided over by the chairman of the BOD.

Article 87: Convening the Meeting and the Quorum

- a) The committee shall meet upon the convening notice served by its chairman, and the committee's meeting is not valid unless attended by majority of its members. A member of the committee may not authorize someone else to attend the committee's meetings.
- b) The Committee may hold its meetings remotely and through electronic means such as phone and video calls
- c) The Nomination and Remuneration Committee shall hold its meetings periodically and whenever needed, provided that the Committee shall hold at least two meetings.
- d) The Nomination and Remuneration Committee may invite whomever it deems appropriate from within the company to attend its meetings if needed.

Article 88: Committee Decisions

The Committee decisions shall be issued by majority of the members present, and when the votes are equal, the vote of the committee chairman is considered casting, and it is not permissible to vote on its decisions for or on behalf of one of the members. The committee's deliberations shall be recorded by its secretary provided that it includes the opinions of all parties in the minutes of the meeting, and its decisions in minutes signed by the committee's chairman and secretary.

Article 89: Duties and Responsibilities of the Nomination and Remuneration Committee

- (a) The duties of the committee with regards to nominations shall be as follows:
- 1) Proposing clear policies and criteria for membership in the Board of Directors (BOD) and Executive Committees.
 - 2) Recommending to the BOD for nomination for BOD membership and its committees in accordance with the legal requirements, policies, and approved standards, considering not to nominate any person who was previously convicted of dishonesty. When nominating BOD members, the committee shall consider the relevant bylaws, regulations and instructions issued by the supervisory authorities, provided that the number of candidates for the BOD whose names are presented to the general assembly exceeds the number of seats available so that the assembly may have the opportunity to choose from among the candidates.
 - 3) Prepare a job description of the capabilities and qualifications required for membership in the BOD and its committees and occupying executive management positions.

- 4) Determining the time that the member shall allocate for the work of the BOD.
 - 5) Annually reviewing the necessary needs or appropriate expertise for the BOD membership and its committees and the functions of the executive management.
 - 6) Determining the time that the member shall allocate for the work of the BOD.
 - 7) Evaluating and reviewing the structure and composition of the BOD and its committees, identifying their weaknesses on a regular basis, and suggesting the necessary steps to address them.
 - 8) Evaluating the performance of the BOD members and BOD committees periodically.
 - 9) Giving recommendation as to the appointment and dismissal of senior management members.
 - 10) Establishing special procedures in case the position of a BOD member or senior executives becomes vacant.
 - 11) Determining the weaknesses and strengths of the BOD and proposing solutions to address them in line with the company's interest.
 - 12) Evaluating and monitoring the independence of the BOD members and BOD committees and ensure that there is no COI, including the annual verification of the independence of the independent members.
 - 13) Supervising the induction program and periodic training for the BOD members
 - 14) Giving Recommendation to the BOD as to the issues related to nominations.
- (b) The duties of the committee with regards to remuneration shall be as follows:
- 1) Preparing a clear policy for the remuneration of the BOD members and the committees of the Board of Directors and the Executive Management, submitting the same to the BOD for consideration in preparation for its approval by the General Assembly, provided that such policy considers following standards related to performance, disclosure, and checking its implementation.
 - 2) Reviewing compensation plans for members of senior management.
 - 3) Clarifying the relationship between the remunerations granted and the applicable remunerations policy and indicating any material deviation from this policy.
 - 4) Periodically reviewing the remuneration policy and evaluating its effectiveness in achieving the sought goals.
 - 5) Recommending to the BOD as to the remuneration of the BOD members and BOD committees and senior executives of the company in accordance with the approved policy.
 - 6) Recommending to the BOD as to issues related to remuneration.

Article 90: Reports of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall submit its reports to the BOD. Such reports shall contain, at a minimum, a summary of its work and the recommendations and decisions made.

Article 91: Remuneration and Attendance Allowance:

A member of the Nomination and Remuneration Committee shall be entitled to an attendance allowance for the sessions and a remuneration in accordance with the

remuneration policies of the BOD members, BOD committees, and the approved executive management.

Article 92: Expiry of Membership

(a) The membership of the Nomination and Remuneration Committee ends with the expiry of the BOD membership term. The committee or one of its members may be renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.

(b) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.

(c) A committee member may resign, provided that he submits his resignation request in advance to the BOD one month before the effective date of his resignation and at an appropriate time accepted by the BOD, otherwise he will be deemed liable before the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and the reasons for his resignation and provide the Saudi Central Bank with a copy of the resignation request within five working days of the member's resignation date.

Article 93: Vacancy in the Committee

(A) If the position of one of the members of the Nomination and Remuneration Committee becomes vacant during the term of membership and this affects the satisfaction of the statutory limit for forming the committee, the BOD shall, within a maximum period of 30 working days, appoint a member, after obtaining the Saudi Central Bank's written NOC.

(B) If the position of one of the members of the Nomination and Remuneration Committee becomes vacant during the term of membership and does not affect the satisfaction of the statutory limit for forming the committee, the BOD may -after obtaining the Saudi Central Bank's NOC in writing- appoint another member to the vacant position.

V. Investment Committee:

Article 94: Purpose:

The main purpose of the investment committee of the BOD shall be to assist the BOD with performing the activities and duties assigned thereto by the BOD, particularly with aspects related to investment, for example, but not limited to, the investment strategy, evaluation of the investment offers and investment opportunities of the company,

Article 95: Formation of the Committee

The BOD shall obtain the Saudi Central Bank's NOC in writing to appoint the members of the Risk Management Committee who possess the relevant qualifications and experience, provided that the number of its members shall not be

less than three and not more than five BOD members. The Investment Committee may consist of executive and non-executive members. and the term of its membership is linked to the term of the BOD.

Article 96: Appointment of the Chairman and Secretary of the Committee

The Investment Committee shall elect one of its members as its Chairman, and the BOD shall pass a resolution appointing him after obtaining a written NOC from the Saudi Central Bank. It may also choose from among its members or from among the company's employees a secretary for the Committee who shall prepare minutes of its meetings and schedule its dates in coordination with the Chairman of the Committee, and shall undertake the administrative work, documenting and keeping minutes of the committee's meetings in a special register therefor, and its remuneration shall be determined by a resolution passed by the BOD.

Article 97: Convening the Meeting and the Quorum

- (a) The committee shall meet when the call notice is served by its chairman, and the committee's meeting shall not be valid unless attended by majority of its members.
- (b) The committee shall periodically meet provided it shall be no less than four meetings per year, and the committee may hold other meetings whenever needed.
- (c) The Committee may hold its meetings remotely and through electronic means such as phone and video calls.
- (d) The committee shall invite whomever it deems appropriate from inside or outside the company to attend its meetings if need be.
- (e) Those other than members of the Committee shall not be entitled to attend the meetings of the Committee except when call notice is served thereto.

Article 98: Duties and Responsibilities of the Committee:

The duties and responsibilities of the Investment Committee shall be in accordance with the laws and regulations promulgated by the Saudi Central Bank, including but not limited to:

- (a) Reviewing and approving the investment strategy and policies submitted by the executive management.
- (b) Supervising the implementation of the investment strategy and policies and ensuring compliance with them.
- (c) Reviewing and evaluating investment offers and making decisions related to the company's investments within the limits of the powers granted by the BOD.
- (d) Appointing investment managers inside and outside the Kingdom, evaluating their services, terminating their duties, and determining their fees.
- (e) Setting investment limits inside and outside the Kingdom in accordance with the regulations and instructions issued by the Saudi Central Bank.
- (f) Supervising adherence to investment limits in each investment performance.
- (g) Reviewing and evaluating the company's existing investments through periodic reports thereon.
- (h) Informing the BOD of the work it does, the results it reaches, or the decisions it takes.

Article 99: Reports of the Investment Committee

The Investment Committee shall submit its reports to the BOD. Such reports shall contain, at a minimum, a summary of its work and the recommendations and decisions issued.

Article 100: Remunerations and Attendance Allowance:

A member of the Investment Committee shall be entitled to an attendance allowance for the sessions and a remuneration in accordance with the remuneration policies of the BOD members, BOD committees, and the approved executive management.

Article 101: Evaluation of the Committee's Performance:

(a) The committee evaluates its performance annually according to the form prepared for this and submits its evaluation to the BOD

(b) The Nomination and Remuneration Committee shall periodically evaluate the performance of the members of the Committee.

Article 102: Expiry of Membership

(a) The membership of the Investment Committee shall expire upon the expiry of the term of BOD membership, and the Committee or one of its members may be renewed, or new members may be appointed, or in the event of a new BOD being elected after obtaining a written NOC by the Saudi Central Bank.

(b) The BOD, after obtaining the Saudi Central Bank's NOC, may dismiss any of the committee members in the event of losing the membership conditions or committing a violation of the provisions of the Cooperative Insurance Companies Control Law, its implementing regulations, the provisions of the Companies Law or the provisions of other relevant regulations and instructions.

(c) A member of the committee may resign provided he shall submit his resignation application to the BOD one month prior to the effective date of his resignation and at an appropriate time accepted by the BOD. Otherwise, he shall be deemed liable before the company. The company shall notify the Saudi Central Bank in writing of the member's resignation and reasons for his resignation and shall provide the Central Bank with a copy of the resignation application within five working days from the member's resignation date.

(d) A member shall be deemed to have resigned from the committee's membership if he fails, without an excuse acceptable to the BOD, to attend the committee's meetings for more than three consecutive sessions.

PART V: Remuneration Policy for Board Members, Board Committees and Senior Executives

Chapter One: Remuneration and Compensation Policy:

Article 103: Objectives and Foundations of the Policy:

- 1- Motivating to lead the company successfully in a positive manner for the company and its shareholders.
- 2- Achieving long-term growth in line with the company's strategy and achieving its objectives.
- 3- Ensuring that there is transparency and fairness in remuneration.
- 4- Contributing to attracting qualified cadres to the BOD, sub-committees and senior management, and employees of all grades.
- 5- Taking into consideration the best practices in determining the remunerations.
- 6- The BOD shall ensure that the level and structure of remuneration and compensation are fair and consistent with the objectives of the company, and that it does not cause a COI that shall adversely affect the company and its shareholders and achieve the interests of the insured and the shareholders.

Article 104: Remuneration of Board Members, Sub-Committees and Senior Executives:

First: Remuneration of Board Members:

- 1- The remuneration of the BOD members shall be in accordance with the provisions of the company's AOA and the relevant laws and regulations, provided that the BOD adopts the policy of remuneration and compensation for the BOD members, the sub-committees and the executives in accordance with the legal requirements, and in line with the company's strategy and achieving its objectives.
- 2- The remuneration of the BOD members shall be a certain amount, attendance allowance for sessions, in-kind benefits, or a certain percentage of the net profits, and two or more of these benefits may be combined.
- 3- In the event the company achieves profits, a percentage equivalent to (10%) of the rest of the net profit may be distributed after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law, the Companies Law and this Law, and after distributing a profit to shareholders of no less than (5%) from the paid-up capital of the company, provided that the entitlement to this bonus is proportional to the number of sessions attended by the member, and any assessment to the contrary is void.
- 4- In all cases; the sum of what a BOD member receives in terms of financial or in-kind remunerations and benefits shall not exceed five hundred thousand Saudi riyals annually (with exception of members of the Audit Committee), in accordance with the regulations set by the Capital Market Authority.
- 5- The report of the BOD to the Ordinary General Assembly shall contain a comprehensive statement of all the bonuses, expenses allowances and other benefits received by the BOD members during the financial year. In addition, it shall also contain a statement of what the BOD members received in their capacity as workers or administrators, or what they received in return for technical or administrative work or consultancy. Furthermore, it shall include a statement of the number of BOD sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.
- 6- A BOD member may not receive commissions or remunerations for the works that they contribute to concluding for the benefit of the company, and no portion of his

remuneration or compensation may be linked directly to the company's business volume (insurance premiums).

7- The remuneration may be suspended or refunded if it appears that it was decided based on inaccurate information provided by a BOD member.

8- The recommendation to the BOD about the remuneration of the BOD members shall be through the Nomination and Remuneration Committee and submit them to the General Assembly for approval.

9- A BOD member shall not be entitled to any remuneration in the event that he does not attend less than two-thirds of the meetings during the year or if he is absent for three consecutive sessions.

10- The remuneration of a BOD member is calculated according to the following criteria:

a- Performance and effectiveness.

b- Duties and Responsibilities.

c- Membership and chairmanship of the sub-committees,

d- The date of joining and the date of expiry of membership.

E- Active attendance at meetings.

F- Number of meetings attendance

g- Attending the meetings of the general assemblies of shareholders.

11- Disclosure of the remuneration and compensation paid to BOD members shall be in accordance with what is stipulated in Article 93 of the Corporate Governance Regulations issued by the Capital Market Authority

Second: Remuneration of Members of Board Committees:

1- The remuneration of the members of the Audit Committee shall be in accordance with the resolution issued by the General Assembly when it is formed.

2- A committee member from within or outside the BOD shall be entitled to a flat remuneration due to his membership in the committees of the Board of Directors provided that it is within the limits stipulated in the company's AOA and other relevant laws and regulations.

3- It is not permissible for a member of any of the committees of the Board of Directors to receive commissions or remunerations in exchange for the works that they contribute to concluding for the benefit of the company, and no part of his remunerations or compensation may be linked directly to the company's business volume (insurance premiums).

4- The remuneration may be suspended or refunded if it appears that it was decided based on inaccurate information provided by a member of the committee emanating from the BOD.

5- Disclosure of remunerations and compensation paid to committee members shall be in accordance with what is stipulated in Article 93 of the Corporate Governance Regulations issued by the Capital Market Authority.

6- The committee member's remuneration shall be calculated from within the BOD or outside the BOD according to the following criteria:

a. Performance and effectiveness.

b. Duties and Responsibilities.

- c. Membership and chairmanship of the sub-committees.
- d. The date of joining and the date of expiry of membership.
- e. Active attendance at meetings.
- f. Number of meetings attendance

Third: Executive Management Remunerations:

1- Components of wages and remunerations:

a. Fixed Components:

Basic wage: The basic wage for the executive management shall be determined according to the company's wage scale provided that in determining the wage, scientific and professional qualifications, practical experience, the nature of the job, the tasks and responsibilities assigned thereto, and in accordance with the prevailing wages in the market, in addition to other allowances according to the company's internal policy, such as housing and transportation allowances.

b. Variable Components:

Performance-Based Remuneration; shall include performance remuneration that is given discretionarily to motivate senior executives or executive management, and based on the performance of the company in general and the performance of the individual manager provided that the following criteria shall be observed:

- 1- Achieving the target profit.
- 2- Executing the assigned projects and works as required.
- 3- Meeting all regulatory requirements.
- 4- Reducing expenses in proportion to the volume of production.
- 5- Extraordinary achievements during the fiscal year.

2- Controls for the Disbursement of Executive Management Remuneration:

1- Performance-based remuneration shall be determined according to the evaluation prepared by the Nomination and Remuneration Committee and based on the basic salary and not on the total income or a percentage of operating profits.

2- It shall not be permissible for a member of the senior management (with exception of sales managers) to receive commissions or remunerations for the work that they contribute to make on behalf of the company, and it is not permissible to link any part of their remunerations and compensation (with exception of sales managers) to the company's business volume (insurance premiums) directly.

3- The BOD shall be recommended the executive management remuneration through the Nomination and Remuneration Committee.

4- It is permissible to stop the payment of the remuneration or to recover it if it is found that it was decided on basis of misinformation provided by the member of the executive management.

5- Remunerations and compensations paid to five senior executives who received the highest remunerations from the company, provided that they include the CEO and the financial manager, shall be in the BOD' report and in accordance with what is stipulated in Article 93 of the Corporate Governance Regulations issued by the Capital Market Authority.

Chapter Two: General Provisions:

Article 105: Evaluation System:

1- The company shall have a system for evaluating the performance of its employees at all levels in an objective and systematic manner and to be built over the long term.

2- The Nomination and Remuneration Committee shall ensure that an annual review of the remuneration and compensation practices in the company is conducted by the Internal Audit Department or a specialized external body without interference from the senior company's management.

3- The company shall have a structure for remunerations and compensations for employees of the control departments (the Internal Audit Department, and the Compliance Department) in a way that enhances the impartiality and independence of these jobs.

Part VI: Conflict of Interest Policy

Chapter Six: Conflict of Interest Policy

Article 106: Scope of Conflict of Interest

The concept of Conflict of Interest (COI) shall be based on the following basic elements:

1. A COI arises when it is proven that a BOD member, or a member of any of its committees, or any of the employees of the company, or its subsidiaries, is related to any business, or has a personal interest, or an organizational or professional interest, in any work or business that may directly or indirectly affect the objectivity of the decisions of that member or employee, or his ability to perform his duties and responsibilities towards the company or one of its subsidiaries.

2. A COI also arises when it is proven that a BOD member, or one of the employees of the company, or its subsidiaries, receives or obtains personal gains from any other party, whether directly or indirectly, benefiting from his position and his participation in the company's management.

3. Every BOD member, and every employee of the company and its subsidiaries, shall not use the company's assets, or its various resources, for any personal interest, or to exploit them for his own benefit, or other goals that do not fall within the scope of the company's business and work.

Article 107: Avoiding Conflicts of Interest:

a) A BOD member shall

1. Exercise his duties honestly and impartially, and to put the interests of the company ahead of his personal interests, and not to use his position to achieve private interests.
2. Avoid cases of COI and inform the BOD of cases of conflict that may affect its impartiality when considering the issues presented to the BOD. The BOD shall not involve this member in the deliberations, and not count his vote on these topics in the meetings of the BOD and shareholders' assemblies.
3. Maintain confidentiality of information related to the company and its activities and not to disclose it to any person.

b) A BOD member shall not:

1. Vote on the resolution passed by the BOD or the General Assembly in the business and contracts made for the account of the company if he has a direct or indirect interest in them.
2. Exploit or benefit, directly or indirectly, from any of the company's assets, information or investment opportunities offered to him in his capacity as a BOD member, or offered to the company, including investment opportunities that fall within the company's activities, or that the company wants to benefiting therefrom, and the prohibition applies to a board member who resigns in order to take advantage of investment opportunities - directly or indirectly - that the company wishes to benefit from and which he learned about during the term of his membership in the BOD.

Article 108: Candidate Disclosure of COIs:

Whoever wishes to nominate himself for membership in the BOD shall disclose to the BOD and the General Assembly any cases of COI - in accordance with the procedures established by the Authority - including:

- 1- Having a direct or indirect interest in the business and contracts made for the account of the company for which he wishes to run for its BOD.
- 2- His participation in a business that would compete with the company, or compete with one of the branches of the business it is engaged in.

Article 109: Company Competition Controls:

Taking into account what is stated in Article 72 of the Companies Law and the relevant provisions in this Regulation, the Corporate Governance Regulations issued by the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Saudi Central Bank, if a BOD member wishes to participate in a business that would compete with the company, or compete with it in one of the branches of the business that it is engaged in, the following shall be observed:

- 1- Reporting the BOD of the competing businesses that he wishes to practice and recording such report in the minutes of the BOD meeting.

2- The stakeholder member not participating in voting on the resolution passed in this regard in the BOD and the shareholders' assemblies.

3- The Chairman of the BOD shall inform the Ordinary General Assembly, when held, of the competing business practiced by the BOD member, after the BOD verifies that the BOD member competes with the company's business or with one of the branches of the business it is engaged in, according to the criteria issued by the General Assembly of the company, based on the proposal of the BOD. The same shall be published on the company's website provided that these businesses shall be verified annually.

4- Obtaining a license from the company's ordinary general assembly that allows the member to practice competing businesses.

Article 110: Concept of Competition Business:

The following are included in the concept of participating in any business that would compete with the company's business or compete with the company in one of the branches of the business it is engaged in:

1) A BOD member establishes a company or a sole proprietorship or owns an influential percentage of shares or stakes in a company or other establishment that engages in a business similar to that of the company or its group.

2) Accepting membership in the BOD of a company or an entity competing with the company or its group, or assuming the management of a competing sole proprietorship or a competing company of whatever form, with exception of the company's affiliates.

3) The member obtaining a commercial agency or the like, whether apparent or hidden, for a company of another establishment competing with the company or its group.

Article 111: Refusal to Grant a License:

If the General Assembly refuses to grant the license under Article 72 of the Companies Law and Article 109 of these Regulations, the BOD member shall submit his resignation within a period specified by the General Assembly, otherwise his membership in the BOD shall be considered terminated, unless he decides to abandon competing with the company or conciliate his status according to the Companies Law and its Implementing Regulations before the expiry of the deadline set by the Assembly.

Article 112: Acceptance of Gifts:

No BOD member nor senior executives may accept gifts from any person having commercial dealings with the company if such gift leads to a COI.

Part VII: Stakeholders

Article 113: Regulating the Relationship with Stakeholders:

The BOD shall set clear and written policies and procedures to regulate the relationship with stakeholders in order to protect them and preserve their rights, provided that this policy contains in particular the following:

- 1- How to compensate stakeholders in the event of a breach of their rights determined by regulations or protected by contracts.
- 2- How to settle complaints or disputes that may arise between the company and stakeholders.
- 3- How to build good relationships with customers and suppliers and maintain the confidentiality of information related to them.
- 4- The rules of professional conduct for the directors and employees of the company to comply with sound professional and ethical standards and regulate the relationship between them and stakeholders, provided that the BOD establish mechanisms to monitor the application of these rules and adherence to them.
- 5- The company's social contribution.
- 6- Confirmation that the company's dealings with BOD members and related parties is carried out in accordance with the terms and conditions of follow-up with stakeholders without any discrimination or preference.
- 7- Stakeholders have access to information related to their activities in a way that enables them to perform their tasks, provided that such information is correct, sufficient, timely and regularly.
- 8- Treating the company's employees in accordance with the principles of justice, equality and non-discrimination.

Article 114: Reporting the Violating Practices:

- 1- The BOD, based on the proposal of the Audit Committee, sets a policy for reporting violations in line with the requirements of the Saudi Central Bank, for stakeholders to follow in submitting their complaints or reporting violating practices.
- 2- Facilitating the notification of stakeholders (including company employees) to the BOD of the actions or practices that may be issued by the executive departments that violate the applicable laws, regulations and rules or raise suspicion in the financial statements or internal control systems or others, whether such actions or practices are in Confronting them or not and conducting the necessary investigation in this regard.
- 3- Maintaining the confidentiality of reporting procedures by facilitating direct contact with an independent member of the Audit Committee or other competent committees.
- 4- Assigning a competent person to receive and deal with complaints or communications from stakeholders.
- 5- Allocating a phone or e-mail to receive complaints.
- 6- Providing the necessary protection for stakeholders.

Part VIII: Professional and Ethical Standards

Article 115: Professional Conduct Policy:

The BOD sets a policy for the professional conduct and ethical values of the company taking into account in particular:

- 1- Emphasis on every BOD member, the executive management and the company's employees to exercise their duties of care and loyalty towards the company, and everyone who would safeguard the interests of the company, develop it, maximize its value, and put its interests above his personal interest in all cases.
- 2- A BOD member represents all shareholders in the company, committing to what achieves the interest of the company and the interests of the shareholders, and observing the rights of other stakeholders, not just the interest of the group that elected him.
- 3- Consolidating the principle of commitment of BOD members and BOD senior executives to all relevant rules, regulations, and instructions.
- 4- Preventing a BOD member or a member of the executive management from exploiting his position to achieve his own interest or someone else.
- 5- Emphasis on limiting the use of the company's assets and resources to achieving the company's purposes and objectives, and not using those assets or resources to achieve private interests.
- 6- Establishing accurate, precise, and clear rules regulating the validity and timing of access to the company's internal information in a way that prevents BOD members, Executive Management, and others from benefiting from it or disclosing the same to any person, except within the prescribed or legally permitted limits.

Part IX: Disclosure and Transparency

Article 116: Disclosure Policy and Procedure:

Without prejudice to the Rules on the Offer of Securities and Continuing Obligations, the Board of Directors shall set written disclosure policies, supervisory procedures and regulations according to the disclosure requirements contained in the Companies Law and the Capital Market Law, as the case may be, with their Implementing Regulations, and other regulations and instructions of the Saudi Central Bank, taking into account the following:

- 1- Those policies shall include appropriate disclosure methods that enable shareholders and stakeholders to access the financial and non-financial information related to the company, its performance, shareholding, and determine the company's position in an integrated manner.
- 2- The disclosure to shareholders and investors shall be without discrimination, in a clear, correct and not misleading manner, and it shall be timely, regular and accurate to enable shareholders and stakeholders to completely exercise their rights.
- 3- Reporting systems shall be set including defining the information that shall be disclosed, and the method of classifying the same in terms of its nature or periodicity of its disclosure.
- 4- Periodical review of disclosure policies, verifying their compliance with the best practices and with the Capital Market Law provisions and Implementing Regulations.

Article 117: Board of Directors' Report

The Board of Directors' report shall contain a presentation of its operations during the last fiscal year, and all the factors affecting the company's business. The Board of Directors' report shall contain the following information:

- 1- The applied provisions of the Corporate Governance Regulations issued by the Capital Market Authority and non-applicable ones with the reasons therefor.
- 2- An analytical review of the company's financial performance during the last period.
- 3- The most important plans and decisions taken and their impact on the company's performance and position.
- 4- A clarification of any material differences in the operational results from the results of the previous year or any expectations declared by the company.
- 5- Evaluation of the company's strategy and financial position.
- 6- A description of the main types of activity for the company and its subsidiaries. If two or more types of activity are described, a statement shall be attached to each activity and its impact on the company's business volume and its contribution to the results.

- 7- The name of each subsidiary, its capital, the company's shareholding percentage, its main activity, the country where its operations are located, and the country where it is incorporated.
- 8- Details of shares and debt instruments issued for each subsidiary.
- 9- A description of the company's dividends policy.
- 10- A description of any interest in the class of voting shares belonging to persons (other than the company's Board Members, senior executives and their relatives) who notify the company of such rights pursuant to Article 67 of the Rules on the Offer of Securities and Continuing Obligations, and any change in those rights during the last fiscal year.
- 11- Names of shareholding companies and companies within and outside the Kingdom for which a member of the company's Board is a member of its current or previous Boards of Directors or one of its directors.
- 12- A description of any interest, contractual securities and subscription rights belonging to the company's Board Members, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year.
- 13- Information regarding any loans on the Company (whether payable at request or otherwise), a statement of total indebtedness of the company and its subsidiaries and any amounts paid by the company in repayment of loans during the year, original amount of the loan, name of the loan giver, its term and the remaining amount. If there are no loans on the company, it shall submit a declaration thereof.
- 14- A description of the classes and numbers of any convertible debt instruments and any contractual securities, memoranda of subscription right or similar rights issued or granted by the company during the fiscal year, with an explanation of any compensation received by the company in return.
- 15- A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right memoranda or similar rights issued or granted by the company.
- 16- A description of any refund, purchase or cancellation of any refundable debt instruments by the company, and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries.
- 17- The number of the company's requests for the shareholders' register, the dates and reasons for those requests.
- 18- Where applicable, providing the means relied upon by the Board in evaluating its performance and the performance of its committees and members, the third party that carries out the evaluation and its relationship with the company, if any.
- 19- The procedures carried out by the Board of Directors to notify its members - especially non-executives, of the shareholders' proposals and comments on the company and its performance.

- 20- Any penalty, precautionary measure, precautionary restriction, or penalty imposed on the company by any judicial, supervisory, or regulatory authority, with a statement of the reasons for the violation, the signatory thereto and means to rectify the same and avoid its repetition in the future.
- 21- Any penalty, precautionary restriction or penalty imposed on any of the Board members from any judicial, supervisory, or regulatory authority that has a relationship with the company.
- 22- The Audit Committee's recommendation regarding the duration of the need to appoint an internal auditor in the company in case of his absence.
- 23- An assessment of the risks surrounding the company and means to address and detect them.
- 24- A summary in the form of a table or a chart of the company's assets, liabilities and results of its operations in the last five fiscal years or since its incorporation, whichever is shorter.
- 25- An explanation of any difference from the accounting standards approved by the Saudi Organization for Chartered and Professional Public Accountants (SOCPA).
- 26- A geographical analysis of the total revenues of the company and its subsidiaries.
- 27- Expectations of future performance.
- 28- For the Board of Directors: the Board's competences, composition, name of the Chairman and Deputy Chairman, the start and end dates of the current session, number of independent Board members, number and dates of meetings held during the period, names of the attendees for each meeting, and the details of remuneration of Board members.
- 29- For each Board member: the member's name and classification (executive, non-executive, or independent), names of other companies in which the member holds the position of a Board member, the entity represented by the member, if any, and any other positions held by the member in the company, if any.
- 30- For each of the Board committees: the name, competences and functions of the Committee, names of its members and their classifications (Chairman of the Committee, executive and non-executive members, independent members, or other than a Board member), the number and dates of the meetings held during the period, the names of each meeting's attendees, and the details of the members' remuneration for their membership in the Committee.
- 31- A statement of the dates of the General Assemblies of shareholders held during the last fiscal year and the names of Board members attending these assemblies.
- 32- A list of the names, positions, qualifications and experience of each of Board members, Board committees and members of the Senior Management of the company, their current and previous jobs, qualifications and experience.
- 33- Total remuneration paid to Board members and the five highest paid members of the Senior Management, the CEO and the CFO, if they were not among those who received the highest remuneration during the period (divided into

salaries, fixed allowances, variable remunerations, and any other components), as well as a description of any performance-related bonuses available to members of Senior Management, including the CEO and CFO if they are not among them.

- 34- The shareholding of Board members and members of the Senior Management in the company (direct and indirect) and the changes in their shareholding during the ending fiscal year as approved in the Shareholders' Register.
- 35- Description of the transactions with related parties, including major shareholders, the Board and Senior Management members during the period, and the mechanism for approving them.
- 36- Details of the company's social contributions, if any.
- 37- Information relating to any business or contracts to which the Company is a party, or in which a member of the Board of Directors, senior executives or any person related to any of them with an interest, to include the names of those involved in the business or contracts, the nature of these business or contracts, their conditions, duration and price. If there is no such business or contracts, the company shall submit a declaration for that.
- 38- A statement of any arrangement or agreement, under which a member of the company's Board or a senior executive assign any remuneration.
- 39- A statement of any arrangement or agreement under which one of the company's shareholders waived rights to profits.
- 40- A statement of the value of the paid amounts and due statutory payments for any zakat, taxes, fees or any other entitlements that have not been paid until the end of the annual fiscal period, with a brief description thereof and a statement of their reasons.
- 41- A statement of the value of any investments or reserves established for the benefit of the company's employees.
- 42- Any cases where there may be a conflict of interest and the mechanism for dealing therewith.
- 43- The Audit Committee's recommendations that conflict with the decisions of the Board of Directors, or those not considered by the Board regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance or appointing the internal auditor, the justifications for those recommendations, and the reasons for not adopting them.
- 44- Names of major shareholders and the percentage of shareholding of each of them in the company.
- 45- The results of the annual review of the efficiency and effectiveness of the company's internal control system, in addition to the Audit Committee's opinion about the adequacy of the company's internal control system.
- 46- The following declarations:
 - (A) The accounting records are properly prepared.
 - (B) The internal control system is prepared on sound grounds and implemented effectively.
 - (C) There is no significant doubt about the company's ability to continue its activity.

- 47- If the auditor's report contains reservations on the annual financial statements, the Board of Directors' report shall clarify those reservations, their reasons and any information related thereto.
- 48- If the Board of Directors recommends changing the auditor before the end of the period for which he is appointed, the report shall contain the same, with a statement of the reasons for recommending the change.

Article 118: The Audit Committee's Report

1. The Audit Committee's report shall contain details of its performance of its functions and duties stipulated in the company's memorandum of association and its Implementing Regulations, provided that it shall contain its recommendations and opinion about the adequacy of the company's internal and financial control systems and risk management.
2. The Board of Directors shall deposit sufficient copies of the Audit Committee report at the company's Head Office and publish the same on the company's website and the Market's website when publishing the invitation to convene the General Assembly, to enable shareholders who wish to obtain a copy thereof. A summary of the report shall be read out during the General Assembly.

Article 119: Disclosure of Board Members and Executive Management Members

The Board of Directors shall regulate the disclosures of each of its members and members of the Executive Management, taking into account the following:

1. Setting a special register for the disclosures of Board members and the Executive Management and updating it periodically according to the disclosures required by the Companies Law, the Capital Market Law, the regulations, and instructions issued by the Saudi Central Bank and their Implementing Regulations.
2. Providing access to the company's Shareholders' Register without any financial return.

Article 120: Disclosure of Rewards:

The Board of Directors shall be committed to:

- 1) Disclose the remuneration policy and how the remuneration of the company's Board members and executive management members is determined.
- 2) Accurate, transparent and detailed disclosure in the Board of Directors' report on the remunerations granted to members of the Board of Directors and the Executive Management, directly or indirectly, without concealment or being misleading, whether they are amounts, benefits or advantages, of whatever nature and name. If the benefits are shares in the company, the value listed for the shares shall be the market value at the maturity date.
- 3) Explain the relationship between the granted rewards and the applicable rewards policy and indicate any material deviation from this policy.

- 4) A statement of the necessary details regarding the remuneration and compensation paid to each of the following separately:
 - A. Board members.
 - B. Five senior executives who receive the highest remuneration from the company, including the CEO and the CFO.
 - C. Committee members.

Part X: Internal Control

Article 121: Internal Control System:

The Board of Directors shall adopt an internal control system for the company to evaluate the policies and procedures related to risk management, apply the provisions of the company's approved corporate governance regulations and comply with the relevant laws and regulations. This system shall ensure that clear standards of responsibility are followed at all executive levels in the company and that related party transactions are carried out pursuant to their own provisions and controls.

Article 122: Establishing independent control departments in the company

- 1- In order to implement the approved internal control system, the company establishes independent departments, which are the Compliance Department, the Risk Department and the Internal Audit Department.
- 2- The Compliance Department and the Internal Audit Department shall report to the Audit Committee emanating from the Board of Directors.
- 3- The Risk Department shall report to the Risk Management Committee emanating from the Board of Directors.
- 4- After obtaining the Saudi Central Bank's no-objection, the company may seek the assistance of external parties to exercise the functions and competencies of units or departments of risk assessment and management, and internal audit. This does not prejudice the company's responsibility for those duties and functions.

Article 122: Duties of the Control Department:

First: Compliance Management:

The Compliance Department is an independent department through its reporting to the Audit Committee, and the Compliance Officer shall be appointed by the Audit Committee to ensure his independence. The compliance function shall be responsible for monitoring the company's compliance with all relevant laws, regulations and instructions issued by the Saudi Central Bank or other relevant regulatory authorities and taking the necessary measures to improve the level of regulatory compliance in the company. Its duties shall include, but are not limited to:

- 1- Ensuring that the company complies with all requirements of applicable and relevant laws and regulations issued by the Saudi Central Bank, the Capital

- Market Authority, Council of Cooperative Health Insurance, Ministry of Commerce and any other regulatory and supervisory authority.
- 2- Communicating with the regulatory authorities in all matters relating to the company's regulatory and supervisory matters.
 - 3- Assessing the risks of non-compliance by the company, and monitoring non-compliance cases.
 - 4- Providing advice to the Board of Directors, committees, Senior Management and all employees of the company and departments related to the relevant laws, regulations and instructions to enable the company to abide by them.
 - 5- Notifying the company of all developments and updates in the rules, regulations and instructions issued by the supervisory authorities and the competent authorities.
 - 6- Preparing periodic reports on cases of non-compliance and making recommendations to address them and submitting them to the Audit Committee and the Board of Directors, as required.
 - 7- Providing the regulatory authorities with the reports required by law.
 - 8- Evaluating the work of all the company's departments and business to verify their compliance with the rules, regulations and instructions and preparing reports thereon.
 - 9- Educating and making the company's employees at all levels of employment aware of the importance of compliance.
 - 10- Monitoring the company's compliance with the Anti-Money Laundering and Terrorist Financing Law and their Implementing Regulations.

Second: The Internal Audit Department:

The internal audit function shall evaluate the effectiveness and efficiency of internal controls, policies, procedures and the company's reporting mechanism and the extent of compliance with them and make recommendations for improvement through a plan approved by the Audit Committee that contains all the company's activities and business. The internal auditor shall be appointed by the Audit Committee to achieve its independence and enable it to perform its work in a way that improves the control level in the company.

The company shall keep audit reports and work documents, clearly including what has been accomplished, its conclusions and recommendations, and the decisions taken in their regard. Its duties and responsibilities include:

- 1- Evaluating the effectiveness and efficiency of internal controls, policies and procedures, the extent of the company's commitment to them, and making recommendations in their regard.
- 2- Assessing the risks in the company, regulations, and investments.
- 3- The failures in the application of internal control or weaknesses in its application that may affect the financial performance of the company.
- 4- Verifying the credibility and integrity of financial information and accounting and non-financial records.

- 5- Submitting comprehensive reports on the results of the internal audit and compliance and discussing them with the Audit Committee and the concerned directors, and submitting proposals to be applied to address and close the observations.
- 6- Submitting the necessary reports to the Board of Directors to inform it of the results and contributing to the provisions of the internal control procedures, while maintaining professional independence of the management.
- 7- The tasks and responsibilities stipulated in the various laws, regulations and instructions issued by the Saudi Central Bank, including but not limited to, reviewing the subscription and pricing instructions and surplus distribution.

Part XI: Senior Management

Article 123: Senior Management

- 1- The priority in Senior Management positions shall be given to Saudis. If there is a need to appoint a non-Saudi, the insurance company shall prove the absence of qualified Saudis to fill the required position based on the requirements for appointment to leading positions issued by the Saudi Central Bank.
- 2- Each position in the Senior Management shall have a documented and detailed job description that defines the roles, responsibilities, specifications, qualifications and reporting lines, mechanism of interaction with other internal parties and the powers and limits of such powers.
- 3- The Director General shall be appointed by a decision of the Board of Directors after obtaining the Central Bank's no-objection. He shall report to the Board of Directors. As indicated in Paragraph (Third) of Article 23 of these Regulations, the Board of Directors shall supervise the Executive Management's work. Without prejudice to the provisions of the Corporate Governance Regulations issued by the Capital Market Authority and any other regulatory or supervisory requirements, the Senior Management shall be responsible for supervising the company's daily activities. The Senior Management's duties shall include, but are not limited to:
 - A) Implementing the company's strategic plans.
 - B) Managing the company's daily activities.
 - C) Setting procedures for risk identification, measurement, reduction and control.
 - D) Setting the necessary policies and procedures to ensure the efficiency and effectiveness of the internal control system.
 - E) Maintaining documents and audit.
 - F) Acting in accordance with the directions of the Board of Directors and submitting reports to it.
 - G) Ensuring that all regulatory and supervisory requirements are fulfilled to the maximum extent as possible.

- 4- The Senior Management shall provide the Board of Directors with a comprehensive presentation on the management's performance at least during each Board meeting.

Part XII: Appointed Actuary

Article 124: Actuarial Works:

Without prejudice to the provisions of the actuarial work controls issued by the Central Bank and any other relevant instructions, the duties and responsibilities of the appointed actuary shall include, but are not limited to, the following:

- 1- Studying the general financial position of the company.
- 2- Evaluating the company's capital adequacy.
- 3- Evaluating of the company's ability to meet its future obligations.
- 4- Pricing protection, savings, health, and motor insurance products, with recommendations as to the adequacy of premium rates for other general insurance categories of products.
- 5- Setting the company's technical allocations and recommendation on them.
- 6- Coordinating with the officials in the company's Risk Management to evaluate the impact of the fundamental risks and determine the appropriate mechanism to mitigate their effects.
- 7- Evaluating the adequacy of reinsurance arrangements and appropriate levels of risk retention and recommending the optimal retention level.
- 8- Giving recommendations to the company's Board of Directors as to the company's investment policy, taking into account the nature and timing of obligations towards the insurance policy holders and the availability of appropriate assets.
- 9- Determining the company's surplus or deficit in general.
- 10- Preparing the appropriate reports pursuant to the financial reporting forms required by the Central Bank.
- 11- Reviewing the company's subscription evidence.
- 12- Preparing an annual report showing the efficiency of the company's technical reserves and prices of insurance products.
- 13- Analyzing the development of the insurance portfolio and analysis of costs.
- 14- Preparing a report showing the suitability of assets to responsibilities.
- 15- Providing advice on any other actuarial matters.

Part XIII: Company's Auditor

Article 125: Assigning the Audit Task:

The task of reviewing the company's annual accounts shall be entrusted to one or more independent, competent, experienced and qualified auditors to prepare an objective and independent report for the Board of Directors and the shareholders indicating whether the company's financial statements clearly and fairly express the company's financial position, and its performance in material aspects.

Article 126: Appointment of the Auditor:

The Ordinary General Assembly shall appoint the company's auditor based on the nomination of the Board of Directors, taking into account the following:

- 1) His nomination shall be based on the Audit Committee's recommendation.
- 2) He shall be licensed and fulfill the conditions prescribed by the competent authority.
- 3) His interests shall not conflict with the company's interests.
- 4) The candidates shall be no less than two auditors.

Article 127: The Auditor's Duties and Responsibilities:

The auditor shall:

- 1- Exercise due diligence and honesty for the company.
- 2- Inform the Authority if the Board of Directors fails to take the appropriate action regarding the suspicious issues raised thereby.
- 3- Request the Board of Directors to convene the Ordinary General Assembly if the Board does not facilitate his work. He shall be responsible for compensating the damage against the company, the shareholders or third parties due to his errors in performing his work. If there are multiple auditors and they share the error, they shall be jointly liable.

Part XIV: Final Provisions

Article 128: Maintaining Documents:

The company shall maintain all records, papers, reports, and other documents required to be kept pursuant to the Corporate Governance Regulations issued by the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Central Bank, at the company's Head Office for a period of no less than ten years. This shall include the Board of Directors' report and the Audit Committee's report. Without prejudice to this period, in case of a lawsuit (including any existing or threatened lawsuit), claim or any existing investigative actions relating to such records, papers, reports or documents, the company shall keep them till the end of that lawsuit, claim or existing investigative procedures.

Article 129: Provision of Additional Information and Data:

The Authority or the Central Bank may request the company to provide them with any additional information or as it deems necessary to verify compliance with the provisions of the Corporate Governance Regulations.

12/04/2023

**Dear Shareholders,
Dear Chairman and members of the Board of Directors of AICC,**

Greetings,

Subject: The Audit Committee's Report for the Fiscal Year Ended 31/12/2222

Introduction:

The Audit Committee of Arabia Insurance Cooperative Company ("AICC") is pleased to submit its annual report for the fiscal year 2022. Given the importance of control, Control and Governance processes are meant to control and monitor business, through assessing effectiveness and efficiency of internal controls, policies and procedures, while maintaining the professional independence, based on the Committee Regulations, as approved by the General Assembly

Formation:

The Audit Committee ("Committee") of Arabia Insurance Cooperative Company ("Company") was formed, and its tasks, controls and emoluments were approved, during the Ordinary General Assembly meeting held on 01/01/1442H, corresponding to 20/08/2020, subject to Article (101) of Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H. The Committee's membership consists of:

Name	Committee Membership	Board Membership
Dr. Abdulrahman Mohammed Al-Angari	Chairman	Independent
Mr. Mashari Salman Al-Suhaim	Committee Member	Outside the Board
Mr. Abdelilah Muhammad Muammar	Committee Member	Outside the Board

Committee's Meetings and Works during the Fiscal Year Ended 31/12/2222

The Committee held seven meetings during the fiscal year 2022. It has performed its mandates and tasks in accordance with the provisions of Companies Law, Audit Committee Regulation in Insurance and/or Reinsurance Companies, Insurance Companies Governance Regulations issued by the Saudi Central Bank, and Companies Governance Regulations issued by Capital Market Authority. The most important matters discussed during the Committee's meetings are highlighted as follows:

- 1) Holding a meeting with the external auditor to discuss the financial statements of the Company and they've assured to committee that there were no abuses or errors in the financial statements and that the company's team was cooperative in providing all the information on which recommendations were made to the committee, ensuring that they reflect the fair financial position of the Company and discussing his comments thereon. The Audit Committee has reviewed and discussed the financial statements audited by the external auditor with the Company's Management. After that, it has recommended the Board of Directors to approve the financial statements, including discussing the adopted accounting principles and policies, clarity of disclosures in the financial statements in accordance with the laws and regulations, and ensuring the independence of the Company's auditors.
- 2) Discussing and reviewing the reports of the Internal Audit Department and making recommendations thereon.
- 3) Discussing and reviewing the reports of the Compliance Department and making recommendations thereon.
- 4) Reviewing the quarterly reports of Customer Care Department, including the complaints to be referred to courts.
- 5) Overseeing the works of auditors to ensure that there are no obstacles affecting the progress thereof.
- 6) Holding meeting with the Executive Management to ensure their compliance with the corrective plans meant to handle the comments of the Company's Regulatory Departments and to ensure that there are no obstacles affecting the progress of their work.

- 7) Recommending the appointment of the Company's external auditors.
- 8) Monitoring the Company's compliance with the policies, procedures, laws, regulations and instructions issued by the regulatory authorities.
- 9) Studying and reviewing the relevant circulars issued by the regulatory authorities to ensure the Company's compliance therewith.
- 10) Assessing the adequacy of human resources for the Internal Audit Department and the Compliance Department and making recommendations thereon.
- 11) Actuarial reports and Internal Audit Department reports regarding the Company's compliance with pricing requirements.
- 12) Substantive legal proceedings
- 13) Discussing the comments of the Saudi Central Bank and other regulatory authorities regarding the Company's compliance and making recommendations thereon.
- 14) Monitoring the implementation of International Accounting Standard No. 17

The Committee's Opinion on the Adequacy of the Company's Internal Control Process:

Risk Management Department:

The Company has developed a Risk Management Policies and Procedures Manual, covering the work of all technical and non-technical departments, according to the laws, regulations and circulars issued by the regulatory authorities. The Company ensures that the provisions of that Manual are implemented. The Risk Management Function performs its duties and activities in accordance with the Risk Management Regulations issued by Saudi Arabian Monetary Agency (SAMA), as well as any other regulatory or supervisory requirements.

Moreover, in addition to managing risks, the Risk Management Committee drawn from the Board of Directors monitors the implementation of risk management policies and procedures and studies the potential risks that may arise from the Company's business or from the insurance and investment market situation, in order to determine the best ways to contain those risks through the policies and procedures applicable in the Company.

Internal Audit Department:

The Internal Audit Department assesses **the effectiveness and efficiency of internal controls, policies and procedures while maintaining professional independence. Its mandate includes** developing and discussing the comprehensive and required reports on the results of its audits and compliance with the Audit Committee and the concerned directors, and submitting proposals and recommendations to be applied to correct and close the comments. The Committee has approved the action plan of the Internal Audit Department, and it monitors the implementation thereof.

Legal Control Department (Compliance):

The Legal Control Department or the Legal Controller controls the Company's compliance, ensuring that the Company implements the provisions and regulations issued by all regulatory authorities. The Department submits its reports on the results of its audits to the Audit Committee and then takes the necessary actions to improve the legal compliance of the Company. The Committee has approved the action plan of the Legal Control Department, and it monitors the implementation thereof.

Results:

The Company is constantly assessing the effectiveness of these procedures and examining the main risks to the Company, based on the procedures and policies, in accordance with the applicable laws and regulations.

The Committee has been monitoring the work of the Internal Audit Department, which in turn has developed and submitted its periodic reports, recommendations and necessary proposals on the work of the various divisions of the Company to the concerned departments and to the Audit Committee, and made recommendations thereon to the Board of Directors. The Committee has noted that there is a slowdown in the implementation of the Internal Audit Department plan, due to inadequate human resources. The Committee has been monitoring the work of the Department and amending the plan thereof, subject to the work requirements. Moreover, the Committee has also supervised the performance of and reviewed all reports issued by the Compliance Department. The Committee has also given instructions on the performance of the Compliance Department and ensured that the work thereof is constantly monitored.

During its meetings, the Committee has discussed the financial statements with the auditors and the Company's Management. The annual review of the effectiveness of the internal control procedures concludes that the Company's internal control process is adequate and implemented efficiently; that the Management monitors the internal control process periodically and takes corrective actions suggested by the Internal Control Departments; and that the internal control process is updated as required. In addition, it is concluded that the internal control procedures have no violations or material problems that may affect the work of the Company or that shall be noted. Furthermore, no financial defect has been detected during the year 2022 AD, or any obstacles affecting the work of the Company's external auditors.

It is the opinion of the Audit Committee that the internal control procedures implemented by the Company through its various departments and committees are constantly improved for more effectiveness and efficiency, considering that this cannot provide absolute assurance.

Dr. Abdulrahman Mohammed Al-Angari

Chairman of Audit Committee