

(3) Voting on External Auditors Report for the fiscal year ended on 31 December 2021.

**KPMG Professional Services**

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

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

We have audited the consolidated financial statements of The Company for Cooperative Insurance (the "Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group 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 consolidated financial statements, and we have fulfilled our other 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 judgement, were of the most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For key audit matter, a description of how our audit addressed the matter is set out below:

| Key audit matter | How the matter was addressed in our audit |
|---|--|
| <i>Valuation of ultimate claims liabilities arising from insurance contracts</i> | |
| As at 31 December 2021, gross outstanding claims including incurred but not reported claims reserve (IBNR) amounted to SAR 4.2 billion as reported in note 11 of the consolidated financial statements. | <ul style="list-style-type: none">We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claims estimate recorded. |

| Key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>The valuation of the ultimate liability arising from claims made under insurance contracts is the key judgemental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain.</p> <p>The Company uses an external actuary (“the management’s expert”) to provide them with the estimate of these claims. A range of methods were used by the management’s expert to determine these claims. This requires significant judgements relating to factors and assumptions such as inflation, claims development patterns and regulatory requirements.</p> <p>Due to significance of amount involved, the exercise of significant judgment by management in the process for determination of ultimate claims liabilities, together with uncertainties due to COVID-19, we have determined it to be a key audit matter.</p> <p><i>Refer to note 11 which discloses the estimated liability arising from claims under insurance contracts and notes 2(f)(i), 3(d) and 3(e) which disclose accounting policies and estimates for claims liabilities.</i></p> | <ul style="list-style-type: none"> • We tested on a sample basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • We engaged our actuarial expert to assess the methodology and assumptions used by management in determining the reserve for incurred but not reported claims. We also reviewed the actuarial reserve report issued by the Company’s appointed actuary. • We evaluated the completeness and accuracy of data used by the management in their calculation of ultimate claims liabilities. • We assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements. |

Other Information

Management is responsible for the other information. The other information consists of the information included in the annual report but does not include the consolidated financial statements and our auditors’ report thereon. The annual report is expected to be made available to us after the date of this auditors’ report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance i.e. the Board of Directors of the Company is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs that are 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 consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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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(5) Voting on the appointment of External Auditors among the nominated based on the recommendation of the Audit Committee to review and audit the financial statements of the second & third quarter and annual statements for the year 2022 and first quarter of 2023, and determination of their fees.

Internal Memo
مذكرة داخلية

| | | |
|----------------|---|-----------------|
| Date | 13 March | التاريخ |
| From | Chairman of the Audit Committee | من |
| To | The Chairman and Members of the Board of Directors | إلى |
| CC | Audit Committee Members, Deputed Chief Internal Auditor | نسخة إلى |
| Subject | Recommendation to nominate external auditors for the Company's Financial Statements for Year 2022 and the First Quarter of Year 2023 | الموضوع |

Please be advised that the Audit Committee has requested the top management to seek offers from the licensed audit firms to review the Company's consolidated financial statements for the year ending on December 31, 2022, in addition to reviewing the interim condensed and consolidated financial statements for the second and third quarters of the fiscal year 2022 as well as the first quarter of year 2023, emphasis and focus on inviting the well-known companies having wide experience and competence.

Accordingly, the Internal Audit Department has conducted an analysis of nine auditing companies in the Saudi market, four companies were excluded due to the existence of other contracts with the Company that might prejudice the independence required, the absence of a valid permit from the Capital Market Authority, or the failure to meet the requirements and conditions of the companies' reappointment pursuant to the Corporate Governance Regulations issued by the Capital Market Authority and the relevant exceptions. Some offers have been received from the following offices:

- 1- KPMG, the value of its quotation amounted to SR 2,050,000, provided that the joint auditor is one of the major auditing companies, and an amount SR 2,400,000 if the joint auditor is not one of the major audit firms.
- 2- Al-Azem and Al-Sudairy Company/ Crowe Global and their quotation amounted to SR 800,000.
- 3- Dr. Mohamed Al-Amari & Co. "BDO" and their quotation amounted to SR 850,000.
- 4- Bakertilly, their quotation amounted to SR 1,150,000.
- 5- PKF Al-Bassam and Partners, their quotation amounted to SR775,000.

The Audit Committee has analyzed and studied those quotations received, taking into consideration that the Company is going through a phase of transformation and application of International Financial Reporting Standards 9 and 17, and accordingly, it requires the presence of offices with wide experience in such standards, and for business continuity and to avail of the wide experience of previous companies dealing with Tawuniya, the Committee considered negotiating with KPMG, Dr. Mohamed Al-Amari and Partners "BDO" and Bakertilly for the following reasons:

1. Reasons for choosing KPMG:

- Their wide experience in auditing corporate accounts, especially banks and insurance companies, in addition to their previous experience in auditing the Company's accounts for until year 2014, as well as the years 2020 and 2021.
- The office's keenness on being present to audit the accounts of major insurance companies in the region and their readiness with a working team specialized in insurance business.
- Their final negotiated financial quotation is appropriate in the amount of SR 2,400,000.

2. Reasons for choosing Dr. Mohamed Al-Amari & Co. "BDO":

- Their wide experience in auditing corporate accounts, especially banks and insurance companies, in addition to his previous experience in auditing the Company accounts from year 2015 to 2019.
- Their final negotiated financial quotation is appropriate in the amount of SR 850,000.

3. Reasons for choosing "Bakertilly" company:

- Their wide experience in auditing corporate accounts.
- Their final negotiated financial quotation is appropriate in the amount of SR 1,150,000.

The Committee considers the nomination of one of the following options, and accordingly the final cost of the audit work becomes as indicated hereunder:

1. If KPMG and BDO are selected, the final cost will be SR 3,250,000 (compared to SR 3,135,000 for the last year).
2. If KPMG and Bakertilly are selected, the final cost will be SR 3,550,000 (compared to SR 3,135,000 for the last year).

In conclusion, the Audit Committee recommends to your esteemed Board to approve the selected companies and to recommend to the General Assembly the nomination of KPMG and Dr. Mohamed Al-Amari & Co. "BDO" to audit the Company's consolidated financial statements for Year 2022 and for the first quarter of Year 2023.

Chairman of Audit Committee
Hamood A. Al Tuwaijri

(6) Voting on payment of total SAR (5,295,000) as remuneration to the members of the Board of Directors for the fiscal year ended on 31 December 2021.

- 2- The Board may contract loans of any duration, sell or mortgage the Company's assets, sell or mortgage the Company's business, or absolve the Company's debtors from their obligations, unless this regulation includes or is issued by the Ordinary General Assembly restricting the Board's powers in that .

Article (19) : Remuneration of the Board Members, Board Chairman and the Managing Director

1. Remuneration of the Board members may consist of a specified salary, or meeting attendance fee, material benefits, a percentage of the net profits or a combination of two or more of these benefits.
2. If the remuneration is a specific percentage of the Company's profits, this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in implementation of the provisions of the Law on Supervision of the Cooperative Insurance Companies, the Companies Law and the Articles of Association, and after distributing profit to shareholders of not less than (5%) of the paid-up capital of the Company, provided that the entitlement to this remuneration is proportional to the number of meetings attended by the Board member, and any estimate to the contrary is considered null and void.
3. In all cases, the total remunerations and financial or material benefits a Board member receives does not exceed an amount of five hundred thousand Riyals annually (except for members of the Audit Committee), in accordance with the controls set by the Capital Market Authority. The Board also determines the special remuneration for the Board chairman for his work and the responsibilities that he carries out in this capacity, in addition to the remuneration determined for the Board members, and the special remuneration of the Board chairman is not subject to the upper limit of the annual remuneration of the Board members, and if it exceeds the upper limit, a no objection must be obtained before recommending it to the shareholders' General Assembly for approval.
4. The Board report submitted to the Ordinary General Assembly must include a comprehensive statement of all remunerations, expense allowances and other benefits the Board members received during the fiscal year. It should also include a statement of what the Board members received as employees or directors, or what they received in return for technical or administrative work or consultation made. It should also include a statement of the number of Board meetings and the number of meetings attended by each member as of the date of the last General Assembly meeting.

Article (20) : Powers, Membership and Membership Duration of the Chairman, Vice Chairman and Board Secretary

The Board of Directors shall appoint from among its members a Chairman and a vice

**Remuneration Policy in respect of
Members of the Board of Directors and its Committees**

Contents

- 1.** Authority Reference
- 2.** Subject
- 3.** Purpose
- 4.** Scope
- 5.** References
- 6.** Definitions
- 7.** Criteria for Determining Remuneration
- 8.** General Provisions for Remuneration
- 9.** Remuneration for Members of the Board and its Committees
- 10.** Allowance for Attending the Meetings of the Board and its Committees
- 11.** Travel and Attendance Expenses for Members of the Board and its Committees
- 12.** Publication, Entry into Force and Amendment

1- **Authority Reference:** Shareholders' General Assembly

2- **Subject:** Remuneration Policy in respect of Members of the Board of Directors and its Committees

3- **Purpose:**

This Policy clarifies the mechanism for determining and approving the remuneration awarded to the members of the Board of Directors of the Company for Cooperative Insurance (hereinafter referred to as the "Company") as well as members of the Board committees, in addition to the criteria for determining the remuneration and linking it to performance, disclosing such remuneration and verifying its implementation.

The Policy aims at attracting the appropriate competencies to fulfill the duties and responsibilities of the Board of Directors and its committees in line with the Company's business activity, strategy and objectives, and urging the Board members to do their best for the Company success and to realize its long term development, to enhance the effectiveness of risk management and achieve the safety and stability of the Company's financial position.

The Policy has been prepared in accordance with the applicable laws and regulations issued by the relevant regulatory authorities in the Kingdom of Saudi Arabia, and the Company's Articles of Association.

4- **Scope:**

4-1 This Policy applies to the members of the Board of Directors of the Company for Cooperative Insurance ("the Company") as well as members of its Board committees during their membership period. The following are the names of the Board committees that apply this Policy to their members:

4-1-1 The Executive Committee.

4-1-2 The Risk Management Committee.

4-1-3 The Nomination and Remuneration Committee.

4-1-4 The Investment Committee.

4-1-5 any other affiliated committee formed by the Company's Board of Directors according to the nature of work, provided that at least one member of that committee is a Board member, after taking the legal approvals for its formation.

- 4-2 excluded from this Policy is the Audit Committee formed by a decision of the General Assembly of the Company shareholders, whose remuneration, attendance allowances and expenses are specified in its work regulations.

5- References:

- 5-1 Companies Law issued by the Ministry of Commerce and Investment.
- 5-2 Corporate Governance Regulations issued by the Capital Market Authority.
- 5-3 Insurance Corporate Governance Regulations issued by the Saudi Arabian Monetary Authority.
- 5-4 The Articles of Association of the Company.
- 5-5 The regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies, issued by the Capital Market Authority.
- 5-6 The guidelines for the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies, issued by the Capital Market Authority.
- 5-7 Saudi Arabian Monetary Authority Circular No. 166/201809 on the “Remuneration for Board Chairmen of Insurance and Reinsurance Companies”

6- Definitions:

- 6-1 **Board of Directors:** The Board of Directors of the Company for Cooperative Insurance
- 6-2 **Members of the Board Committees:** Members of the committees emanating from the Board of Directors to which this Policy applies.
- 6-3 **Committee:** The Nomination and Remuneration Committee in the Company for Cooperative Insurance, which is one of the Board committees whose members are nominated by the Board.
- 6-4 **Remuneration:** The amounts, allowances, profits and the like, periodic or annual bonuses related to performance, short or long-term incentive plans, and any other in-kind benefits, with the exception of reasonable actual costs and expenses incurred by the Company on behalf of a Board member for the purpose of performing his/ her work. Granting shares in the Company to the Board members, whether they are newly issued or shares bought by the Company, is considered among the benefits and remuneration.
- 6-5 **Authority (CMA):** The Capital Market Authority.
- 6-6 **SAMA:** The Saudi Arabian Monetary Authority.

- 6-7 **Company:** The Company for Cooperative Insurance (Tawuniya).
- 6-8 **Assembly:** The General Assembly of the shareholders of the Company for Cooperative Insurance.

7- Criteria for Determining Remuneration:

The Nomination and Remuneration Committee must take into account the following criteria in determining and disbursing the remuneration that the members of the Board and its committees receive :

- 7-1 the remuneration shall be fair and proportionate to the member's competencies and the duties and responsibilities undertaken by the Board members to be achieved during the fiscal year.
- 7-2 the remuneration shall be fair and commensurate with the periodic evaluation of the performance results of a Board member, which is consistent with the Company's strategy, objectives and long-term performance.
- 7-3 the remuneration is in proportion to the Company's activity, the degree of risk therein, and the skill required for Board membership.
- 7-4 to take into consideration the complexities of insurance business, the magnitude of the Company's work, and the experience of each of the Board members separately.
- 7-5 the remuneration shall be reasonably sufficient to attract talented Board members with appropriate competence and experience, and that the remuneration is provided as motivation for the aim of attracting highly professional Board members.
- 7-6 the remuneration of the Board members and its committees may be of varying amounts to reflect the member's experience, competence, tasks assigned, his independence, the number of meetings attended, and other considerations.
- 7-7 a Board member and / or a member of the Board committee must attend at least two-thirds of the meetings held during the Company's financial year.
- 7-8 the annual remuneration is determined by measuring with the period and date of joining and leaving, and subject to achieving the minimum, which is two-thirds of the meetings held since the date of his/ her joining or leaving.
- 7-9 to take into consideration the practices of other companies in determining remuneration, while avoiding any unjustified increase in remuneration and bonus that may arise.

8- General Provisions for Remuneration:

- 8-1 Board members may not vote on the Board remuneration item at a General Assembly meeting, and this prohibition includes a Board member whether his vote in the General Assembly meeting is by his personal voting or by proxy on behalf of others.
- 8-2 A Board member may obtain a remuneration in return for his membership in the Audit Committee composed by the General Assembly, or for any additional business or executive, technical, administrative or advisory positions - under a professional license - assigned to him in the Company, in addition to the remuneration that can be obtained in his capacity as a Board member and in the committees composed by the Board. Such remuneration does not fall within the scope of the maximum remuneration stipulated in the Companies Law and the Company's Articles of Association.
- 8-3 If the remuneration is a specific percentage of the Company's profits, this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in implementation of the provisions of the Law on Supervision of the Cooperative Insurance Companies, the Companies Law and the Articles of Association, and after distributing profit to shareholders of not less than (5%) of the paid-up capital of the Company, provided that the entitlement to this remuneration is proportional to the number of meetings attended by the Board member, and any estimate to the contrary is considered null and void.
- 8-4 If the General Assembly decides to terminate the membership of a Board member who is absent from attending three consecutive Board meetings without a legitimate excuse, this member is not entitled to any remuneration for the period following the last meeting he attended, and he must return all the remuneration paid to him for this period.
- 8-5 If the Audit Committee, the Board, CMA or SAMA found that the remuneration paid to any of the Board members was based on incorrect or misleading information that was presented to the General Assembly or included in the Board annual report, then the member should return them to the Company, and the Company shall have the right to reclaim refunding such remuneration. This does not relieve the Board member from any liability for any consequential damages that occurred to the Company or its shareholders or any other related persons.
- 8-6 The Board report presented to the Ordinary General Assembly must include a comprehensive statement of all remunerations, expenses allowances and other benefits the Board members received during the fiscal year. It should also include a statement of what the Board members received as employees or administrators, or what they received in return for technical or administrative work or consultation made. It should also include a statement of the number of Board meetings and the number of meetings attended by each member as of the date of the last General Assembly meeting.

9- Remuneration for Members of the Board and its Committees:

- 9-1 The Board shall propose the remuneration of the Board members based on the recommendation of the Nomination and Remuneration Committee and in accordance with the relevant laws, regulations and instructions as well as any conditions approved by the General Assembly. None of the proposed remuneration for the Board chairman and members shall be approved without the approval of the General Assembly.
- 9-2 The Company management shall make sure that all details of the proposed remuneration and bonus are published in writing, so that they are available to all shareholders prior to the convening of the General Assembly in which such bonus and remuneration voted on.
- 9-3 The remuneration of the Board shall be a fixed amount, an allowance for attending the Board meetings, benefits in kind, or a fixed percentage of the net profits. Two or more of these benefits may be combined together.
- 9-4 In all cases; the total remunerations and financial or in-kind bonuses and benefits a member of the Board of Directors receives does not exceed an amount of five hundred thousand Riyals annually (except for members of the Audit Committee), in accordance with the controls set by the Capital Market Authority. The Board also determines the special remuneration for the Board chairman for his work and responsibilities that he carries out in this capacity, in addition to the remuneration determined for the Board members, and the special remuneration of the Board chairman is not subject to the upper limit of the annual remuneration of the Board members, and if it exceeds the upper limit, a No Objection must be obtained before recommending it to the shareholders' General Assembly for approval.
- 9-5 The Board shall determine the special remuneration for the Board chairman for his competencies and responsibilities that he carries out in this capacity, in addition to the remuneration determined for the Board members referred to in Paragraph (9-1) above.
- 9-6 Like the Company's employees, a Board member and/ or a Board committee member shall be granted medical insurance for himself and his family members who depend on them, except for those who enjoy this benefit through another organization with which he works or cooperates with or whose system requires him to be covered by this benefit, in addition to the insurance benefits the Company also provides the professional liability insurance coverage for the members of the Board and/ or its committees.
- 9-7 The Company shall compensate a member of the Board and/ or its committees for any government taxes or fees such as the value-added tax (VAT) arising from his membership in the Company's Board. This compensation is not counted among the

remunerations and compensations that fall within the upper limit mentioned in paragraph (4-9).

10- Allowance for Attending the Meetings of the Board and its Committees:

Each member of the Board or its committees is entitled to a cash amount as an allowance in exchange for attending the meetings, for each meeting determined by the Board based on the recommendation of the Nomination and Remuneration Committee and in accordance with the relevant laws, regulations and instructions.

11- Travel and Attendance Expenses for Members of the Board and its Committees:

A member of the Board and its committees attending the meeting is entitled to a cash amount as a travel expenses allowance, provided that the meeting is convened outside the city of permanent residence for that member. The total travel expenses allowance is not calculated within the specified maximum limit for each member's remuneration, as this allowance is a compensation for the actual expenses incurred by the member to attend the meeting, including travel, accommodation and subsistence expenses.

12- Publication, Entry into Force and Amendment:

- 12-1 The contents of this Policy shall be applied as of the date of its approval by the shareholders' General Assembly and circulated to the concerned parties for their review. The list is reviewed annually by the Nomination and Remuneration Committee. If, in the light of this review, the Committee deems to amend this Policy, it must present to the Board its proposed amendments for approval in preparation for presenting to the shareholders' General Assembly for approval in its first meeting that follows.
- 12-2 The Saudi Arabian Monetary Authority shall be provided with a copy of this Policy, and it shall be notified of any amendments to this Policy within (21) working days from the date of its approval or the ratification of its amendment.

(7-11)Voting on the amendments of the Articles (11-13-30-31-47) of the company's bylaw.

The Company for Cooperative Insurance - Articles of Association, List of Amendments

| Article | Para | Current Version | Updated Version | Reason for Amendment | Legal Document | Reference Subject | Page No. |
|---------|------|--|--|---|--|--|----------------|
| - | - | SAMA The Saudi Arabian Monetary Authority | SAMA The Saudi Central Bank | Amendment | | | |
| 11 | | The shares of joint stock companies shall be nominal. Shares may not be issued at less than their nominal value, but they may be issued at a premium if the bylaws of the company provide that or if it is approved by the general assembly. In this case, the difference in value shall be prescribed in a separate provision within shareholders' rights and it may not be distributed to shareholders as profits. If a share is jointly owned by several persons, they must elect one of them to exercise the rights attached to such share on their behalf, but they shall be jointly liable for the obligations arising from the ownership of such share. | <u>Article (11)- Share Issuance:</u> 1-The shares of joint stock companies shall be nominal. Shares may not be issued at less than their nominal value, but they may be issued at a premium if the bylaws of the company provide that or if it is approved by the general assembly. In this case, the difference in value shall be prescribed in a separate provision within shareholders' rights and it may not be distributed to shareholders as profits. If a share is jointly owned by several persons, they must elect one of them to exercise the rights attached to such share on their behalf, but they shall be | Addition The reason for this amendment is that the Law allows the companies to buy their shares in accordance with the provisions of the aforementioned articles, and that the Company may purchase its shares in the future. | The Regulatory controls and procedures issued in implementation of the Companies Law for the Listed Joint Stock Companies Chapter Four: The company's purchase, sale and mortgage of its shares. | 12 13 24 All of the aforementioned articles refer to the possibility of the Company to buy its shares according to various purposes | 14 16 19 |

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| | | | jointly liable for the obligations arising from the ownership of such share. 2-The Company may, after obtaining the Central Bank's no objection, to buy and sell its shares, in accordance with the Companies Law and the controls issued by the supervisory and regulatory authorities. | | Chapter One : Purchasing Process Controls | with specific controls. | |
| 13 | 3 | Shareholders shall have – at the time of the General Assembly’s resolution to approve the increase in the capital – the pre-emptive rights to subscribe for the new cash shares. The shareholders shall be notified of the pre-emptive rights vested in them, if any, by notice to be published in a daily newspaper addressing the capital increase resolution, the conditions of subscription and the period of subscription, or by written notice to the shareholder by registered mail. | Shareholders shall have – at the time of the General Assembly’s resolution to approve the increase in the capital – the pre-emptive rights to subscribe for the new cash shares. The shareholders shall be notified of the pre-emptive rights vested in them, if any, by notice to be published in a daily newspaper addressing the capital increase resolution, the conditions of subscription and the period of subscription, or by written notice to the shareholder by registered mail and website of the Capital Market Authority (Tadawul”. | Amendment The reason for the amendment (addition) is because the companies are obligated to immediately inform the CMA about the results of the General Assembly through the relevant Tadawul platform concerned with publishing the company news to its shareholders, and also because of the difficulty of implementing shareholders' reporting by registered letters on their registered mail because the number of shareholders is large and this takes a lot of time. | | | |
| 30 | 4 | Notices of General Assemblies shall be published in a daily newspaper distributed in the region of the Head Office of the Company at least twenty-one (21) days prior to the date set for the | Notices of General Assemblies shall be published in a daily newspaper distributed in the region of the Head Office of the Company at least twenty-one (21) days prior to the date set for the | Amendment The reason for this amendment is because the companies are obligated to inform the CMA about attending the General | Corporate Governance Regulations | 13 Para (d) | 19 |

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| | | meeting. A copy shall be sent to the Capital Market Authority. Nevertheless, a notice sent by registered mail within the time limit set above shall suffice. A copy of the invitation and agenda are to be sent to the Capital Market Authority during the period of publication. | meeting. A copy shall be sent to the Capital Market Authority. Nevertheless, a notice sent by registered mail and the website of the Capital Market Authority (Tadawul) within the time limit set above shall suffice. A copy of the invitation and agenda are to be sent to the Capital Market Authority during the period of publication. | Assembly meeting through the relevant Tadawul platform concerned with publishing the company news to its shareholders, and also because of the difficulty of implementing shareholders' reporting by registered letters on their registered mail because the number of shareholders is large and this takes a lot of time. | | | |
| 31 | - | Shareholders who wish to attend the general or private assembly register their names in the company's head office prior to the time set for the assembly. | Shareholders wishing to attend ordinary or extraordinary General Assemblies shall register their names at the Company's Head Office before the time scheduled for such assembly and the members may attend and register through the electronic channels specified by the Capital Market Authority and announced by the Company. | <p>Addition</p> <p>The reason for the amendment is that the current Law permits the companies to hold the General Assemblies through technical means, so the shareholder does not personally attend to the company's headquarters for registration, but he/ she can attend from a remotely through technical means and he/ she can register.</p> | <p>The regulatory controls and procedures issued in implementation of the Companies Law for the Listed Joint Stock Companies.</p> <p>Chapter Three: Convening the meetings of the General and Special Assemblies of shareholders and their participation in them by means of modern technology.</p> | 8 9 10 | 12 13 |

| | | | | | | | |
|----|---|---|---|---|--|---|--------------|
| 47 | - | Should the Company's losses reach half of the paid-up capital at any time during the fiscal year, the Auditor or any officer of the Company shall notify the Chairman immediately upon becoming aware of such losses, who in turn shall immediately notify the Board of Directors. The Board of Directors shall convene an Extraordinary General Assembly within no more than forty-five (45) days of becoming aware of the Company's losses to either increase or decrease the Company's capital - in accordance with the Companies Law - to the extent that the losses decrease to less than half of the paid-up capital, or to dissolve the Company before the expiry of its term according to these Articles. The decision of the Assembly shall be published in all cases on the website of the Ministry of Commerce. The Company shall be deemed dissolved by operation of law if the Extraordinary General Assembly does not convene within the period prescribed above or convenes but is unable to adopt a resolution on this matter, or approves increasing the Company's capital in accordance with this Article and the increase shares are not fully subscribed to within ninety (90) days from the date of the capital increase resolution. | Should the Company's losses reach half of the paid-up capital at any time during the fiscal year, the Auditor or any officer of the Company shall notify the Chairman immediately upon becoming aware of such losses, who in turn shall immediately notify the Board of Directors. The Board of Directors shall convene an Extraordinary General Assembly within no more than forty-five (45) days of becoming aware of the Company's losses to either increase or decrease the Company's capital - in accordance with the Companies Law - to the extent that the losses decrease to less than half of the paid-up capital, or to dissolve the Company before the expiry of its term according to these Articles. The decision of the Assembly shall be published in all cases on the website of the Ministry of Commerce and the website of the Capital Market Authority (Tadawul) ". The Company shall be deemed dissolved by operation of law if the Extraordinary General Assembly does not convene within the period prescribed above or convenes but is unable to adopt a resolution on this matter, or approves increasing the Company's capital in accordance with this Article and the increase shares are not fully subscribed to within ninety (90) | Amendment The reason for the amendment (addition) is that the Law obligates the companies to inform the CMA about the results of the General Assembly on the spot via the relevant Tadawul platform concerned with publishing the company news to its shareholders. | Offering and Continuous Disclosures Rules Listing Rules (Tadawul) | Article Sixty Para (a) 29 Para (a) | 48 18 |
|----|---|---|---|---|--|---|--------------|

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | days from the date of the capital increase resolution. | | | | |
|--|--|--|--|--|--|--|--|

(13-33) Voting on the business relationship between the Company and the companies which the Board members has an indirect interest into it.

The Honorable shareholders of the Company Cooperative Insurance

Greetings,

Referring to the requirements of Article (71) of the Companies Law issued by the Ministry of Commerce which states: "A board member may not have any direct or indirect interest in transactions or contracts made for the company, except with a prior authorization from the ordinary general assembly. Such authorization shall be renewed annually. The board member shall notify the board of directors of any direct or indirect interest he may have in the transactions or contracts made for the company. Such notification shall be recorded in the minutes of the board meeting. Said member may not participate in voting on the resolution to be issued on this matter by the board of directors and the assembly of shareholders. The chairman of the board shall inform the general assembly, when it convenes, of transactions and contracts in which a board member has a direct or indirect interest, providing a special report from the company's external auditor."

Therefore, the Board of Directors would like to submit its recommendation to the Shareholders General Assembly of the Company for Cooperative Insurance on the businesses and contracts in which the members of the Company Board of Directors have a direct or indirect interest in order to obtain the authorization of the Company Shareholders, with the exception of those authorized by virtue of the authorization powers delegated to the Board of Directors by the General Assembly other than the authorization stipulated in Paragraph (1) – Article 71 of the companies law regarding the total businesses and contracts during the Board member's fiscal year that constitutes less than 1% of the company's revenues according the latest audited financial statements and less than Ten (10) million Saudi Riyals as shown in the table hereunder.



Abdulaziz Bin Ibrahim Alnowaiser

Board Of Directors Chairman

Related Party Transaction

| Transactions during the year from January 1, 2021 until December 31, 2021 | The contracts amounts at the beginning of the transaction or upon renewal | The nature of the transaction | Name of the company / entity | Board of Directors Member |
|---|---|-------------------------------|---|---|
| 24,392,252 | 20,075,682 | Insurance policies | Public pension agency (PPA and GOSI are merged) | Mr. Jaser Aljaser |
| 1,666,398 | 440,000 | Rent contract | Cooperative real estate investment co | Mr. Jaser Aljaser |
| 399,367 | 373,494 | Insurance policies | | Mr. Ghassan Almalki |
| 30,787,760 | 25,998,871 | Insurance policies | The saudi investment bank | Mr.Abdulaziz Alkhamis |
| 940,874 | There is no fixed amount of the contract, it depends according to the transactions These are insurance policy fees and claims fees | Insurance policies fees | United insurance company | Mr.Abdulaziz Alkhamis |
| 5,907,273 | | Insurance claims fees | | Mr.Waleed Aleisa Mr. Abdulaziz Alboug Mr. Sultan AlKhomshi Mr. Jaser Aljaser |

| | | | | |
|-------------|--|--------------------|---|---|
| 7,877,250 | 4,222,775 | Insurance policies | Saudi entertainment ventures company | Mr.Abdulaziz Alnowaiser |
| 168,704,528 | 217,839,149 | Insurance policies | Tahakom | Mr.Abdulaziz Alnowaiser |
| 757,063 | Continuation of a previous transaction in 2020 | Insurance policies | Umm al qura cement co | Mr.Abdulaziz Alnowaiser |
| 41,082,202 | 24,652,886 | Insurance policies | The saudi railway co. | Mr.Abdulaziz Alnowaiser |
| 7,509,996 | 5,437,653 | Insurance policies | Fly adeal | Mr.Abdulaziz Alnowaiser |
| 5,778 | 18,844 | Insurance policies | Maharah human resources company | Mr.Abdulaziz Alnowaiser |
| 52,211,803 | 35,969,120 | Insurance policies | Mobily | Mr.Abdulaziz Alnowaiser Mr. Homod AlTwijri Mr. Khaled Alghoneim |
| 31,905,930 | 29,471,316 | Insurance policies | General organization for social insurance | Mr. Ghassan Almalki |
| 145,324 | There is no fixed amount of the contract, it depends according to the transactions | Services contract | | Mr. Jaser Aljaser |
| 14,445,034 | 14,431,861 | Insurance policies | Saudi stock exchange (tadawul) | Mr. Abdulrahman Alodan |

| | | | | |
|-------------|--|--------------------|--|--|
| 742,879 | There is no fixed amount of the contract, it depends according to the transactions | Services contract | | |
| 285,226,789 | 247,319,230 | Insurance policies | SNB group | Mr. Abdulrahman Alodan |
| 1,835,769 | 1,502,272 | Insurance policies | Bidaya home finance | Mr. Ehab AlDabbagh* |
| 484 | 96,989 | Insurance policies | Hawaz co for communication and info tech | Mr. Khaled Alghoneim* |
| 1,658,073 | 1,167,052 | Insurance policies | Communication solutions co | Mr. Khaled Alghoneim* |
| 498,061 | 107,408 | Insurance policies | Bayan for credit information co | Mr. Khaled Alghoneim* |
| 886,735 | 695,516 | Insurance policies | Waseel application service prov. | Mr. Abdulaziz Alboug |
| 3,755,298 | There is no fixed amount of the contract, it depends according to the transactions | Services contract | | Mr. Ammr Kurdi Mr. Othman AlKassabi |
| 697,000 | 681,792 | Insurance policies | Bunyan Company | Mr. Abdulaziz Alboug Mr. Ammr Kurdi |

*Approved by the board of directors according to the authorization given by the general assembly in 29\04\2021.



To the shareholders
The Company for Cooperative Insurance
(A Saudi Joint Stock Company)

Limited assurance report on the Chairman of the Board of Directors' declaration to the shareholders of the Company for Cooperative Insurance

We have undertaken a limited assurance engagement in respect of the accompanying declaration of related party transactions for the year ended December 31, 2021 relating to The Company for Cooperative Insurance (the "Company") prepared by the Chairman of the Board Directors of the Company in accordance with the applicable criteria mentioned below so as to comply with the requirements of Article 71 of the Regulations for Companies (the "Declaration").

Subject matter

The Subject Matter for our limited assurance engagement is the Declaration prepared by the management of the Company and approved by the Chairman of the Board of Directors as attached to this report and submitted to us.

Criteria

The applicable Criteria is the requirement of Article 71 of the Regulations for Companies issued by the Ministry of Commerce which states that any member of the board of directors (the "Board") with any interest, both directly or indirectly, in the transactions or contracts made for the account of the Company shall declare such interests for the approval of the general assembly of the Company. The board member must notify the Board of such interest and excuse himself in vote by the Board to approve such transactions or contracts. The Chairman of the Board will notify the general assembly of transactions and contracts in which a member of the Board has a direct or indirect interest.

Management's responsibility

The management of the Company is responsible for the preparation of the Declaration in accordance with the Criteria and ensuring its completeness. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Declaration that is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence requirements of the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, and the ethical requirements that are relevant to our limited assurance engagement in the Kingdom of Saudi Arabia, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, as endorsed in the Kingdom of Saudi Arabia, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Declaration based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information', as endorsed in the Kingdom of Saudi Arabia. This standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration for the year ended December 31, 2021.

The procedures selected depend on our judgment, including the assessment of risks such as failure of systems and controls, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Declaration in accordance with the requirements of Article 71 of the Regulations for Companies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Summary of work performed

We planned and performed the following procedures to obtain limited assurance over the Company's compliance with the requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration:

- Discussed with the management the process for obtaining business and contracts by any of the Board members with the Company.
- Obtained the accompanying Declaration that includes the list of all transactions and agreements entered into by any of the board members of the Company, either directly or indirectly, with the Company during the year ended December 31, 2021.
- Reviewed the minutes of the Board meetings that indicate that the Board member notified the Board on the transactions and agreements entered into by the board member during the year ended December 31, 2021; and further that the concerned board member did not vote on the resolution issued in this regard at the meetings of the Board.
- Reviewed confirmation obtained by the management from the board members on the transactions and agreements entered into by the board member during the year ended December 31, 2021.
- Reviewed the consistency of the transactions and agreements included in the Declaration with the disclosure in Note 29 to the audited financial statements for the year ended December 31, 2021.

Inherent limitations

Our procedures regarding systems and controls relating to the preparation of the Declaration in accordance with the requirements of the Article 71 of the Regulations for Companies are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised), as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, as endorsed in the Kingdom of Saudi Arabia, and, accordingly, we do not express an audit opinion or a review conclusion in relation to the adequacy of systems and controls around the preparation of the Declaration.

This conclusion relates only to the Declaration for the year ended December 31, 2021, and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.

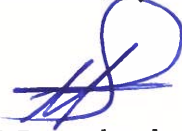
Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article 71 of the Regulations for Companies in the preparation of the Declaration of related party transactions for the year ended December 31, 2021.

Restriction of use

This report, including our conclusion, has been prepared solely upon the request of the management of the Company, to assist the Company and its Chairman of the Board of Directors in fulfilling its reporting obligations to the General Assembly in accordance with Article 71 of the Regulations for Companies. The report should not be used for any other purpose or to be distributed to or otherwise quoted or referred to, without our prior consent to any other parties other than the Ministry of Commerce, Capital Market Authority and the shareholders of the Company.

PricewaterhouseCoopers



Bader I. Benmohareb
License Number 471



March 20, 2022