



# Articles of Association

## Saudi Arabian Cooperative Insurance Company (SAICO)

Company's name Saudi Arabian Cooperative Insurance Company	Articles of Association	Ministry of Commerce (Corporate Governance Department)
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## **First Section**

### **Company incorporation**

#### **Article One: Incorporation:**

The company shall be incorporated in accordance with the provisions of the Cooperative Insurance Companies Control Law, the Companies Law, the Capital Market Law and its implementing regulations, and the Company's Articles of Association, and a Saudi joint stock company shall be among the owners of the shares whose provisions are set out below.

#### **Article Two: Company Name:**

The Saudi Arabian Company for Cooperative Insurance "A Saudi Joint Stock Company."

#### **Article Three: Company's Objectives:**

Engaging in cooperative insurance business in: general insurance, health insurance, protection and savings insurance. The company may carry out all the work that needs to be done to achieve its objectives. The company shall carry out its activities in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations, the provisions issued by the Saudi Central Bank and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.



#### **Article Four: Participation and Ownership in Companies:**

The company may incorporate companies with limited liability, or shareholding from one person, and it may also own shares and quotas in other existing companies or merge with them. It shall have the right to participate with others in establishing joint-stock or limited liability companies - provided that the companies incorporated by the company or participate in it, or merging with it, it engages in business similar to its business or financial business, or that helps it achieve its purpose - after fulfilling the requirements of the regulations and instructions followed in this regard, and after obtaining the approval of the Saudi Central Bank.

#### **Article Five: Company's Head Office:**

The headquarters of the company shall be in the city of Riyadh, in the Kingdom of Saudi Arabia, and may, by a decision of the extraordinary general assembly, transfer the head office to any other city in the Kingdom of Saudi Arabia with the approval of the Saudi Central Bank, the company may establish branches, offices or agencies within or outside the Kingdom of Saudi Arabia after the approval of the Saudi Central Bank.

#### **Article Six: Company Term:**

The company term shall be (99) ninety-nine Gregorian years starting from the date of its registration in the Commercial Register, and the term of the company may be prolonged by a decision issued by the extraordinary general assembly at least one year before the end of this period.



## **Second Section**

**The rules that the company shall adhere to carry out the activities and purposes specified**

### **Article Seven: Company Investments:**

The company shall invest what it has from the insured and shareholders' funds in the company in accordance with the rules established by the Board of Directors, and in a manner that shall not contradict the Cooperative Insurance Companies Control Law, its implementing regulations, the regulations and provisions issued by the Saudi Central Bank or any other related party.

## **Third Section**

### **Capital and shares**

#### **Article Eight: Capital:**

The company's capital is (300,000,000) three hundred million Saudi riyals divided into (30,000,000) thirty million shares of equal value with a nominal value of (10) ten Saudi riyals per share, all of them are common cash shares.

#### **Article Nine: Subscription to Shares:**

The shareholders subscribed for the entire share capital of the company, and the value was paid in full.



### **Article Ten: Register of Shareholders:**

The company's shares shall be exchanged in accordance with the provisions of the Capital Market Law and its implementing regulations.

### **Article Eleven: Issuance of Shares:**

The shares of the company shall be nominal, and they may not be issued at less than their nominal value, but they may be issued at a higher value, and in this last case, the difference in value shall be added in a separate item within the shareholders' equity. It is not permissible to distribute it as dividends to the shareholders, and the share is indivisible in the face of the company. If the share is owned by multiple persons, they must choose one of them to act on their behalf in the use of the rights related to it, and these persons shall be jointly responsible for the obligations arising from the ownership of the share.

### **Article Twelve: Exchange Shares:**

- 1- Shares subscribed by the founders may not be exchanged except after publishing the financial statements for two fiscal years, each of which is not less than (12) twelve months from the date of the company's incorporation, and after obtaining the approval of the Saudi Central Bank and indicates its type, date of incorporation of the company, and the period in which it is prohibited to exchange.
- 2- During the prohibition period, the ownership of shares may be transferred according to the provisions of the sale of rights from one of the founders to another founder or from the heirs of one of the founders in the event of his death to a third party or in the case of execution on the funds of the insolvent



or bankrupt founder, provided that the priority of owning those shares is given to the other founders.

- 3- The provisions of this article shall apply to what the founders subscribe to in the event of a capital increase before the ban period has passed.

### **Article Thirteen: Capital Increase:**

- 1- The extraordinary general assembly may decide to increase the capital of the company after the approval of the Saudi Central Bank and the Capital Market Authority, provided that the capital has been paid in full. It is not required that the capital be paid in full if the unpaid portion of the capital belongs to shares issued in exchange for converting debt instruments or financing instruments into shares and has not expired after the prescribed period for converting them into shares.
- 2- The extraordinary general assembly in all cases may allocate the shares issued when increasing the capital or part thereof to the employees of the company and its subsidiary companies or some of them, or any of that. Shareholders may not exercise the right of priority when the company issues shares allocated to employees.
- 3- The shareholder who owns the share shall - at the time of the General Assembly's decision to approve the increase in the capital - have priority in subscribing for new shares issued in exchange for cash shares, and they inform them of their priority - if any - by publishing in a daily newspaper or by informing them by registered mail of the decision to increase the capital and the conditions of subscription, duration, start and end date.
- 4- The extraordinary general assembly shall have the right to suspend the priority right for shareholders to subscribe to increase the capital in exchange for cash shares or to give priority to non-shareholders in cases it deems appropriate in the interest of the company.



- 5- The shareholder shall have the right to sell or waive the pre-emption right during the period from the time of the General Assembly's decision to approve the capital increase to the last day for subscription to new shares related to these rights, in accordance with the controls laid down by the Capital Market Authority.

#### **Article Fourteen: Capital Reduction:**

- 1- The extraordinary general assembly may decide to reduce the capital if it exceeds the company's need or if it incurs losses after the approval of the Saudi Central Bank and the Capital Market Authority, provided that the paid-up capital of the insurance company after reducing the capital shall not be less than (100,000,000) one hundred million riyals, and the capital is not less A payment to the reinsurer or insurance company that transacts at the same time reinsurance business for (200,000,000) two hundred million riyals, and the reduction decision shall be only issued after reading a special report prepared by the auditor on the reasons for it, the liabilities of the company, and the impact of the reduction in these liabilities.
- 2- If the capital reduction is a result of an increase in the company's need, the creditors must be called upon to express their objections within (60) sixty days from the date of publishing the reduction decision in a daily newspaper distributed in the area in which the company's head office is located. On the aforementioned date, the company must pay him his debt if it is due, or provide him with a guarantee sufficient to pay it if it is later.



## **Fourth Section**

### **Board of Directors**

#### **Article Fifteen: Company Management:**

The management of the company shall be undertaken by a board of directors consisting of five members elected by the ordinary general assembly for a period not exceeding three years. The composition of the board of directors 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, whichever is greater. As an exception to this, the incorporated assembly shall appoint the members of the first board of directors for a period not exceeding (3) three years starting from the date of the announcement of the Ministry of Commerce and Investment's decision to establish the company.

#### **Article sixteen: Termination of Board Membership:**

- 1- Board membership shall expire with the end of the board session, resignation, death, or absenteeism from three meetings within one year without a legitimate and acceptable excuse, or if it is proven to the Board of Directors that the member has violated his duties in a way that harms the interest of the company, provided that this is accompanied by the approval of the General Assembly or if his membership has expired in accordance with any system or instructions in force in the Kingdom of Saudi Arabia, or if he is declared bankrupt or insolvent, or submitted a request for settlement with his creditors, or has stopped paying his debts, or has suffered a mental illness or a physical disability that may lead to the member's inability to Completely performing his role, or it is proven that he committed an act of





breach of trust and morals, or was convicted of forgery under a final judgment.

- 2- The Ordinary General Assembly may, at any time, dismiss all or some of the members of the board of directors without prejudice to the right of the dismissed member towards the company to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time, and the member of the board of directors may retire, provided that this is at an appropriate time, otherwise Before the company, he was responsible for the damages arising from his retirement.
- 3- If a member of the board of directors resigns, and he has comments on the performance of the company, he must submit a written statement thereof to the chairman of the board of directors, and this statement must be presented to the members of the board of directors.
- 4- The Saudi Central Bank must be notified upon the resignation of any member of the Board or the termination of his membership for any reason other than the end of the Board's session, within (5) five working days from the date of leaving the job and taking into account the relevant disclosure requirements.

#### **Article Seventeen: Vacant Position in the Board:**

In the event that the position of one of the members of the board of directors becomes vacant, the board had the right to temporarily appoint a member of the vacant position who has sufficient experience and after obtaining the non-objection of the Saudi Central Bank without considering the arrangement in obtaining votes in the general assembly through which the board of directors was elected, and to inform the Ministry of Commerce and Investment as well as the Capital Market Authority within (5) five working days from the date of appointment, this appointment shall be presented to the Ordinary General



Assembly at its first meeting, and the new member shall complete the term of his predecessor only.

#### **Article Eighteen: Powers of the Board:**

- 1- Subject to the competencies established for the General Assembly, the Board of Directors shall have the broadest powers in managing the company in a way that achieves its objectives, with the exception of what is excluded in a special text in the Companies Law or this regulation in terms of actions or behaviors that fall within the competence of the General Assembly, and the Board shall also have - within the limits of His competence - to delegate one or more of its members or from a third party to conduct a specific work or business in a manner that does not conflict with the relevant laws and regulations.
- 2- The board of directors may contract loans of any period, 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 statute includes or is issued by the ordinary general assembly restricting the powers of the board of directors in that.

#### **Article Nineteen: Remuneration for Board Members, and Remuneration for Chairman and Managing Director:**

- 1- The remuneration of the members of the Board of Directors shall be a certain amount, an attendance allowance for the sessions, benefits in kind, or a certain percentage of the net profits, and it is permissible to combine two or more of these benefits. The minimum annual remuneration for each of the chairman and members of the board of directors shall be an amount of (150,000 riyals) one hundred fifty thousand Saudi riyals, provided that it



does not exceed an amount of (500,000 SR) five hundred thousand riyals for their membership in the board of directors and their participation in its work, including additional bonuses in the event that the member participates. In any of the committees emanating from the board of directors, and the maximum allowance for attending the sessions of the board and its committees is an amount of five thousand riyals for each session, and each member of the board, including the chairman of the board, shall pay the value of the actual expenses they incur in order to attend the meetings of the board or the committees emanating from Board of Directors, including travel, accommodation and subsistence expenses, provided that it does not exceed what is determined by the relevant supervisory authorities.

- 2- If the remuneration is a specific percentage of the company's profits, then 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 Cooperative Insurance Companies Control Law, the Companies Law and this Law, and after distributing a profit to Shareholders shall not be less than (5%) of the company's paid-up capital, provided that the entitlement to this bonus is proportional to the number of sessions attended by the member, and every estimate to the contrary shall be void.
- 3- In all cases; The total remuneration and financial or in-kind benefits and rewards that a member of the Board of Directors gets does not exceed an amount of five hundred thousand riyals annually (except for the members of the audit committee), in accordance with the controls set by the Capital Market Authority.
- 4- The report of the Board of Directors to the Ordinary General Assembly must include a comprehensive statement of all remunerations, expenses allowances and other benefits that board members received during the fiscal year. It should also include a statement of what the board members have paid as workers or administrators, or what they have received in return for technical or administrative works or consultations. It should also include a statement of the number of Board sessions and the number of sessions



attended by each member from the date of the last meeting of the General Assembly.

**Article Twenty: Powers of the Chairman of the Board of Directors and the term of his membership, and the membership of each of the Deputy, Managing Director and Secretary:**

The Board of Directors shall appoint from among its members a Chairman and Vice-Chairman. It shall appoint a CEO, and may appoint a Managing Director, and it is not permissible to combine the position of Chairman of the Board of Directors with any executive position in the company. The Chairman of the Board of Directors shall have the right to sign on behalf of the company and implement the Board's decisions. The chairman of the board of directors shall be authorized to represent the company before the courts, arbitration tribunals and others, and the chairman of the board of directors may, by a written decision, delegate some of his powers to other members of the board or from third parties in carrying out a specific business or business. The Board of Directors determines the salaries, allowances and bonuses for each of the chairman and the managing director according to what is decided in Article (19) of this bylaw. The board of directors must appoint a secretary for the Board's. The board may also appoint one or more advisors in the various affairs of the company and the board shall determine their remuneration. The term of the board chairman, his deputy, the managing director and the secretary shall not exceed the term of each of them in the board, and they may be re-elected, and the board at any time may dismiss them or any of them without prejudice to the right of the dismissed person to compensation if the dismissal occurred for an unlawful reason or at an inappropriate time.



### **Article Twenty-One: Board Meetings:**

The board shall meet at the invitation of its chairman, and the chairman of the board must call the meeting whenever two of the members so request him. The invitation must be documented in the way the Board deems it to be, and the Board meetings are held periodically and whenever the need arises, provided that the number of annual meetings of the Board is not less than (4) meetings so that there is at least one meeting every three months.

### **Article Twenty-Two: Quorum for Board Meeting:**

- 1- The board meeting shall not be valid unless it is attended by (at least half of the members), provided that the number of attendees shall not be less than (at least three).
- 2- If the necessary conditions for the meeting of the Board of Directors are not met due to the lack of the number of its members below the minimum stipulated in this bylaw, the remaining members must call the Ordinary General Assembly to convene within sixty days; to elect the necessary number of members.
- 3- It may, by a decision of the Capital Market Authority, to call the Ordinary General Assembly to convene in the event that the number of members of the Board of Directors is less than the minimum validity of its meeting.
- 4- A member of the Board of Directors may not delegate someone else to attend the meeting. As an exception, a member of the board of directors may delegate other members on his behalf.
- 5- The decisions of the Board shall be issued by the majority of the opinions of the attending members or their representatives, and when opinions are equal, the side with which the meeting's chairman voted, shall prevail.



6- The Board of Directors may issue decisions on urgent matters by presenting them to the members dispersed, unless one of the members requests - in writing - the board meeting to discuss it. These decisions shall be presented to the Board at its first subsequent meeting.

#### **Article Twenty-Three: Board Deliberations:**

The Board's deliberations and decisions shall be confirmed in minutes signed by the session chair, the attending board members, and the secretary. These minutes shall be recorded in a special register signed by the chairman and the secretary.

#### **Article Twenty-Four: Agreements, Contracts, Conflict of Interest and Company Competition:**

- 1- The company shall have the right - after obtaining a non-objection from the Saudi Central Bank - to conclude an agreement to manage technical services with one or more companies qualified in the field of insurance.
- 2- A member of the Board of Directors may not have any direct or indirect interest in the business and contracts that are carried out for the company's account except with a license from the Ordinary General Assembly. A member of the board of directors shall inform the board of his direct or indirect interest in the business and contracts that are made for the account of the company, and this notification shall be recorded in the minutes of the meeting.
- 3- This member may not participate in voting on the decision to be issued in this regard by the Board of Directors and the shareholders' assemblies.
- 4- The Chairman of the Board of Directors shall inform the Ordinary General Assembly when it is convened about the business and contracts in which one of the Board members has a direct or indirect interest in it. The notification



shall be accompanied by a special report from the company's external auditor.

- 5- If a member of the board fails to disclose his interest, the company or any interested party may claim before the competent judicial authority to annul the contract or oblige the member to pay any profit or benefit that has been achieved for him from that.
- 6- Liability for damages resulting from the works and contracts referred to in paragraph (1) of this Article shall rest on the member with an interest in the work or contract, as well as on the members of the board of directors, if those works or contracts are carried out in violation of the provisions of that paragraph or if it is proven that they are not Is fair, or involves a conflict of interest and harms shareholders.
- 7- Members of the board of directors who oppose the decision shall be exempted from responsibility when they explicitly prove their objection in the meeting minutes. Absence from attending the meeting in which the decision is issued, shall not be considered a reason for exemption from responsibility unless it is proven that the absent member did not know about the decision or was unable to object to it after being aware of it. .
- 7- A member of the Board of Directors may not participate in any business that would compete with the company, or to compete with the company in any of the branches of the activity that it is practicing. Otherwise, the company may claim from the competent judicial authority the appropriate compensation, unless he obtained a previous license from the Ordinary General Assembly - renewed every year - allowing him to do so.

## **Fifth Section**

### **Shareholders' Assemblies**

#### **Article Twenty-Five: Attending Assemblies:**

- 1- A properly formed general assembly shall represent all shareholders, and it shall convene in the city in which the company's head office is located.
- 2- Every shareholder, regardless the number of his shares, shall have the right to attend the general assemblies of shareholders, and he shall have the right to delegate to him another person who is not members of the board of



directors or employees of the company to attend the general assembly. General meetings of shareholders may be held and the shareholder participates in its deliberations and voting on its decisions by means of technology Modern according to the controls set by the Capital Market Authority.

#### **Article Twenty-Six: The Constituent Assembly:**

- 1- The founders shall invite all subscribers to convene a founding assembly within (45) forty-five days from the date of the closing of the shares subscription, provided that the period between the date of the invitation and the date of the meeting shall not be less than ten days.
- 2- Every subscriber - regardless of the number of his shares – shall have the right to attend the constituent assembly. To the meeting be valid, the attendance of a number of subscribers representing (half) at least (half) of the capital. If this quorum is not met, an invitation will be issued to a second meeting to be held at least (15) fifteen days after the invitation was issued. However, the second meeting may be held. One hour after the end of the period specified for the first meeting, and the invitation to hold the first meeting must include proof of the announcement of the possibility of holding this meeting, and in all cases, the second meeting shall be valid regardless of the number of subscribers represented in it.

#### **Article Twenty-Seven: Competences of the Constituent Assembly:**

The Constituent Assembly shall be concerned with the following matters:

- A- Verifying that the company has subscribed to all the shares of the company and that the minimum amount of capital and the amount due





from the value of the shares have been met in accordance with the provisions of the system.

- B- Discussing the report of evaluating the in-kind shares.
- C- Approval of the final texts of the company's articles of association, provided that substantial amendments are not made to the system presented to it except with the approval of all subscribers represented therein.
- D- Appointing the members of the first board of directors for a period not exceeding five years and the first auditor if they have not been appointed in the company's articles of association or its statute.
- E- Discussing and approving the founders' report on the business and expenses required for establishing the company. The Ministry of Commerce and Investment, as well as the Capital Market Authority, may delegate one (or more) delegates as an observer to attend the company's founding assembly to ensure that the provisions of the system are implemented.

#### **Article Twenty-Eight: Competences of the Ordinary General Assembly:**

With the exception of matters pertaining to the extraordinary general assembly, the ordinary general assembly shall be concerned with all matters related to the company and it convenes at least once a year during the six months following the end of the company's fiscal year, and other ordinary general assemblies may be called to meet whenever the need arises.

#### **Article Twenty-Nine: Competences of the Extraordinary General Assembly:**

The extraordinary general assembly shall have the authority to amend the company's articles of association with the exception of provisions that it is



prohibited to amend by law, and it shall have the right to issue decisions on matters falling within the jurisdiction of the ordinary general assembly with the same terms and conditions established for the ordinary general assembly.

### **Article Thirty: Invitation to Associations:**

- 1- The general or special assemblies of the shareholders shall convene at the invitation of the board of directors, and the board of directors shall call the ordinary general assembly to convene if requested by the auditor, the audit committee, or a number of shareholders representing at least 5% of the capital. To convene if the board does not invite the assembly within thirty (30) days from the date of the auditor's request.
- 2- By a decision of the Capital Market Authority, the Ordinary General Assembly may be called to convene in the following cases:
  - A- If the period specified for the meeting (during the six months following the end of the company's fiscal year) ended without convening it.
  - B- If the number of members of the Board of Directors is less than the minimum validity of its meeting.
  - C- If it appears that there are violations of the provisions of the law or the company's articles of association, or a defect has occurred in the company's management.
  - D- If the board does not invite the general assembly to convene within fifteen days from the date of the request of the auditor, the audit committee, or a number of shareholders representing (5%) of the capital at least.
- 3- A number of shareholders representing at least (2%) of the capital may submit a request to the Capital Market Authority to call the Ordinary General Assembly to convene, if any of the cases stipulated in Paragraph (2) of this Article are available. To convene within thirty days from the date of



submitting the shareholders' request, provided that the invitation includes a schedule of the association's work and the items required to be approved by the shareholders.

4- This invitation and the agenda shall be published in a daily newspaper distributed in the region in which the company's head office is located before the date set for the meeting (21) twenty one days at least, and a copy of the invitation and agenda shall be sent to the Ministry of Commerce and Investment, and a copy shall be sent to the Capital Market Authority. However, it is permissible to address the invitation on the aforementioned time to all shareholders by registered letters. A copy of the invitation and agenda shall be sent to the Capital Market Authority within the specified period for publication.

#### **Article Thirty-One: Assemblies Attendance Record:**

Shareholders who wish to attend the general or private assembly shall register their names in the company's head office prior to the time set for the assembly.

#### **Article Thirty-Two: Quorum for the Ordinary General Assembly Meeting:**

1. The meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders who represent at least (a quarter) of the company's capital.
2. If the quorum required to hold the ordinary general assembly meeting according to Paragraph 1 of this Article is not met, an invitation has been issued for a second meeting to be held within the thirty days following the previous meeting. This invitation shall be published in the manner stipulated in Article (30) of this Law, The second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes evidence indicating the



possibility of holding this meeting, and in all cases the second meeting is valid regardless of the number of shares represented in it.

**Article Thirty-Three: Quorum for the Extraordinary General Assembly Meeting:**

- 1- The meeting of the extraordinary general assembly shall not be valid unless attended by shareholders who represent at least (half) of the company's capital.
- 2- If the quorum required to hold the extraordinary general assembly meeting according to Paragraph (1) of this Article is not met, an invitation shall be issued for a second meeting, in the same conditions stipulated in Article (30) of this system. The second meeting may take place an hour after the end The specified period For the first meeting to take place, provided that the invitation to hold the first meeting includes what indicates the announcement of the possibility of holding this meeting, and in all cases the second meeting will be valid if attended by a number of shareholders representing at least (a quarter) of the capital.
- 3- If the required quorum is not met in the second meeting, an invitation to a third meeting to be held according to the same conditions stipulated in Article 30 of this Law, and the third meeting will be valid regardless of the number of shares represented in it, after the approval of the Capital Market Authority.



#### **Article Thirty-Four: Voting in Assemblies:**

Votes in the constituent assembly and ordinary and extraordinary general assemblies shall be calculated on the basis of one share. The cumulative vote must be used in the election of the Board of Directors, so that the right to vote for the share may not be used more than once. Members of the Board of Directors may not participate in voting on the Assembly's decisions related to absolving them of responsibility for the management of the company or related to a direct or indirect interest to them.

#### **Article Thirty-Five: Resolutions of the Assemblies:**

Decisions in the Constituent Assembly shall be issued by the absolute majority of the shares represented in it, and the decisions of the Ordinary General Assembly shall be issued by the absolute majority of the shares represented in the meeting. Nevertheless, if these decisions relate to providing special benefits, the approval of the majority of subscribers is required for the shares that represent (two-thirds) of the aforementioned shares after excluding what the beneficiaries subscribed to from Special benefits, and decisions are issued in the extraordinary general assembly by a majority of two-thirds of the shares represented in the meeting unless the decision is related to an increase or reduction of the capital, prolongation of the company's term, or the dissolution of the company before the period specified in its statute or its incorporation into a company or another institution, the decision is not valid only if it is issued by a majority of three quarters of the shares represented at the meeting.



### **Article Thirty-Six: Discussion in Assemblies:**

Every shareholder shall have the right to discuss topics on the assembly's agenda and to direct questions about them to the members of the board of directors and the auditor. Every text in this system depriving the shareholder of this right shall be void. The board of directors or the auditor shall answer the shareholders' questions to the extent that they do not compromise the interest of the company. If the shareholder deems that the answer to his question is not convincing, he must refer to the association, and its decision in this regard was enforceable.

### **Article Thirty- Seven: Presidency of Associations and Preparing Minutes:**

- 1- The General Assembly shall be chaired by the Chairman of the Board of Directors or his deputy in his absence, or whoever is delegated by the Board of Directors from among its members for this in the absence of the Chairman and Vice President of the Board of Directors.
- 2- A report shall be drawn up at the meeting of the General Assembly that includes the number of shareholders attending or representatives, the number of shares in their possession in origin or agency, the number of votes decided for them, the decisions taken, the number of votes that approved or disagreed with them, and a full summary of the discussion that took place in the meeting, and the minutes are recorded regularly after each meeting In a special register signed by the president of the association, its secretary and the voice collector.



## **Sixth Section**

### **Committees emanating from the Board of Directors**

#### **Article Thirty -Eight: Board Committees:**

Board committees shall be formed in accordance with the relevant laws and regulations.

## **Seventh Section**

### **The Auditor**

#### **Article Thirty-Nine: Auditor Appointment:**

The General Assembly must appoint two (or more) auditors among the auditors licensed to work in the Kingdom, determine their remuneration and the duration of their work, and it may reappoint them, provided that the total period of his appointment does not exceed five continuous years, and whoever has exhausted this period may be reappointed after Two years have passed since its expiry date, and the General Assembly may also change them at all times without prejudice to their right to compensation if the change occurred at an inappropriate time or for an unlawful reason.

#### **Article Forty: Powers of the Auditor:**

The auditor shall have the right - at any time - to view the company's books, registers and other documents, and he may request the data and explanations he deems necessary to obtain, and he also shall have the right to verify the company's assets and liabilities and other things that fall within the scope of his work. The chairman of the board of directors must enable him to perform his duty, and if the auditor encounters difficulty in this regard, he shall prove this in a report submitted



to the board of directors. If the board does not facilitate the work of the auditor, he must request the board of directors to call the ordinary general assembly to consider the matter.

#### **Article Forty- One: Obligations of the Auditor:**

The auditor must submit to the annual general assembly a report prepared in accordance with the generally accepted auditing standards, including the position of the company's management to enable him to obtain the data and clarifications he requested and what he may have uncovered in violation of the provisions of the Cooperative Insurance Company's Control Law and its implementing regulations, rules, regulations and other relevant instructions and the regulation. The company shall be the basis and his opinion on the fairness of the company's financial statements. The auditor shall read his report in the General Assembly. If the association decides to approve the report of the board of directors and the financial statements without hearing the auditor's report, its decision shall be void.

### **Eighth Section**

#### **Company accounts and dividend distribution**

#### **Article forty-two: Fiscal Year:**

The company's fiscal year shall begin on the first of (January) and end at the end of (December) of the same year, provided that the first fiscal year begins from the date of the ministerial decision announcing the incorporation of the company and ends on December 31 of the following year.





### **Article Forty-three: Financial Documents:**

- 1- The board of directors must at the end of each financial year prepare the financial statements (the financial statements consist of: a list of the financial position of insurance operations and shareholders, a list of surplus (deficit) of insurance operations, a list of shareholders' income, a list of shareholders' equity, a list of insurance cash flows, a list of flows. (Cash to shareholders), and a report on the company's activity and financial position for the elapsed fiscal year. This report includes the method that it proposes to distribute profits, and the Board puts these documents at the disposal of the auditor, at least 45 days before the date set for the General Assembly meeting b (45) forty-five days.
- 2- The Chairman, Chief Executive, and Financial Director of the Board of Directors must sign the documents mentioned in Paragraph (1), and copies of them shall be deposited in the head office of the company at the disposal of the shareholders, at least twenty-one days before the date set for the meeting of the General Assembly.
- 3- The chairman of the board of directors shall provide the shareholders with the financial statements of the company, the report of the board of directors and the auditor's report, unless they are published in a daily newspaper distributed in the headquarters of the company, and he must also send a copy of these documents to the Ministry of Commerce and Investment and the Capital Market Authority (15) fifteen days at least before the date of the meeting of the General Assembly.

### **Article Forty-Four: Accounts of Insurance Operations:**

Insurance operations accounts shall be independent of the shareholders' income statement, as follows:



#### First: Accounts of Insurance Operations:

- 1- An account shall be set aside for earned premiums, reinsurance commissions and other commissions.
- 2- An account shall be singled out for compensation incurred by the company.
- 3- At the end of each year, the total surplus, which represents the difference between the sum of premiums and compensation, minus the marketing, administrative and operational expenses, and the necessary technical allocations according to the instructions regulating this.
- 4- Determining the net surplus shall be as follows: To be added to the total surplus mentioned in paragraph (3) above, or deducted from it, from the return on investment that belongs to the insured, after calculating their money from the returns and deducting their realized expenses.
- 5- Distribution of the net surplus, which is done either by distributing (10%) ten percent to the insured directly, or by reducing their premiums for the following year, and transferring (90%) ninety percent to the shareholders' income accounts.

#### Second: List of shareholders' income:

- 1- Shareholders' profits shall be made from the return on investment of shareholders' funds in accordance with the rules established by the Board of Directors.
- 2- The shareholders' share of the net surplus shall be as stated in the fifth paragraph of Clause First of this Article.

#### **Article Forty-Five: Zakat, Reserve and Profit Distribution:**

The company must:

- 1- Saving zakat and statutory income tax.



- 2- That the saving of (20%) of the net profits to form a statutory reserve, and the Ordinary General Assembly may stop this deduction whenever the total reserve reaches (100%) of the paid capital.
- 3- The Ordinary General Assembly, when determining the share of shares in the net profits, 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.
- 4- The net annual profits of the company that it determines shall be distributed after deducting all general expenses and other costs, and creating the necessary reserves to face doubtful debts, investment losses and contingent liabilities that the Board of Directors deems necessary in accordance with the provisions of the Cooperative Insurance Companies Control Law and the provisions issued by the Saudi Central Bank. Of the remainder of the profits after deducting the reserves determined according to the relevant regulations and zakat a percentage of not less than 5% of the paid capital for distribution to the shareholders according to what is proposed by the Board of Directors and decided by the General Assembly, and if the remaining percentage of the profits owed to the shareholders is not sufficient to pay this percentage, then it is not permissible. Shareholders may demand to pay it in the following year or years, and the general assembly may not decide to distribute a percentage of the profits in excess of what was proposed by the board of directors.

#### **Article forty-six: Entitlement to Profits:**

The shareholder shall be entitled to his share of the profits in accordance with the decision of the general assembly issued in this regard, and the decision specifies the due date and the date of distribution. Eligibility for dividends shall be for shareholders registered in the shareholders' registers at the end of the day specified for entitlement. The company shall inform the Capital Market Authority without



delay of any decisions to distribute the profits or recommend it, and the profits to be distributed to the 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, taking into account Prior written approval of the Saudi Central Bank. The company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis after obtaining no objection to the Saudi Central Bank and fulfilling the following requirements:

- 1- The Ordinary General Assembly shall authorize the Board of Directors to distribute interim dividends according to a resolution to be renewed annually
- 2- The company should be of good and regular profitability.
- 3- The company shall have reasonable liquidity and can reasonably expect the level of its profits.
- 4- The company shall have sufficient distributable profits according to the latest audited financial statements to cover the profits proposed to be distributed after deducting what was distributed or capitalized from those profits after the date of these financial statements.

#### **Article Forty-Seven: Company Losses:**

If the company's losses reach (half) the paid-up capital at any time during the fiscal year, any company official or auditor of accounts must immediately inform the Chairman of the Board of Directors, and the Chairman of the Board of Directors must inform the members of the Board of this, the Board of Directors within (15) Fifteen days from his knowledge of this to invite the extraordinary general assembly to a meeting within (45) forty-five days from the date of his knowledge of the losses. It is not decided either to increase or decrease the capital of the company - in accordance with the provisions of the Companies Law - to the extent that the percentage of losses decreases to less than (Half of) the paid-up capital, or the liquidation of the company before the deadline specified for it in its articles of



association. The decision of the association shall be published in all cases on the website of the Ministry of Commerce and Investment. The company shall be considered terminated by the force of the system if the extraordinary general assembly does not meet within the period specified above, or if it meets. It was unable to issue a decision on the matter, or if it decided to increase the capital according to the conditions stipulated in this article, and the whole capital increase was not subscribed within (90) ninety days from the issuance of the Assembly's decision to increase

## **Ninth Section**

### **Disputes**

#### **Article Forty-Eight: The Company's Liability:**

The company shall be bound by all the actions and actions that the board of directors carries out even if they are outside its jurisdiction, unless the stakeholder is of bad faith or knows that such actions are outside the jurisdiction of the board.

#### **Article Forty-Nine: Responsibility of Board Members:**

- 1- The members of the Board of Directors shall be jointly responsible for indemnifying the company, the shareholders or others for the damage that results from their mismanagement of the company's affairs or their violation of the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations and the regulations, bylaws and other relevant instructions and this system, and every condition requiring otherwise shall be deemed as if has not been. Responsibility shall fall on all members of the board of directors if the error arises from a decision issued by their unanimous vote. As for the decisions issued by the majority of opinions, the



opposing members will not be questioned once they express their objection in the minutes of the meeting. Absence from attending the meeting at which the decision is issued, shall not be considered a reason for exemption from liability unless it is proven that the absent member was not aware of the decision or was unable to object to it after being aware of it.

- 2- Filing a liability lawsuit does not preclude the approval of the Ordinary General Assembly to absolve the members of the Board of Directors.
- 3- The liability lawsuit is not heard after the lapse of (3) three years from the date the harmful act was discovered. - With the exception of cases of fraud and forgery - the liability lawsuit is not heard in all cases after the lapse of (5) five years from the end of the fiscal year in which the harmful act occurred or (3) three years from the expiration of the membership of the concerned board member, whichever is later.
- 4- Each shareholder shall have the right to file the liability lawsuit for the company against the members of the board of directors if the mistake made by them would cause special harm to him. The shareholder may not file the aforementioned lawsuit unless the company's right to file it is still valid. The shareholder must inform the company of his intention to file a lawsuit, while restricting his right to claim compensation for the special damage he suffered.
- 5- The company may be charged with the following expenses that the shareholder has charged to institute a lawsuit, regardless of its outcome, under the following conditions:
  - A- If he institutes the lawsuit in good faith.
  - B- If he submitted to the company for the reason for which he filed the lawsuit and did not get a response within thirty days
  - C- If it is in the interest of the company to file this lawsuit based on the provision of Article (79) of the Companies Law.
  - D- The lawsuit is based on a valid basis.



## **Tenth Section**

### **Liquidation of the company**

#### **Article Fifty: Termination of the Company:**

- 1- Upon its expiration, the company enters the role of liquidation and maintains the necessary legal personality to the extent necessary for liquidation.
- 2- The voluntary liquidation decision shall be issued by the partners or the general assembly.
- 3- The liquidation decision must include the appointment of the liquidator, the determination of his powers, his fees, the restrictions imposed on his powers, and the period of time required for liquidation, and the voluntary liquidation period shall not exceed (5) five years, and it may not be extended for more than that except by a court order.
- 4- The authority of the company's board of directors ends with its dissolution, yet the members of the board remain in charge of managing the company and are counted in relation to others in the judgment of liquidators until the liquidator is appointed, and the company's bodies remain during the liquidation period their competencies that do not conflict with the terms of reference of the liquidator. Insurance and reserves formed as stipulated in Articles (44) and (45) of this bylaw.



## Eleventh Section

### Final provisions

#### **Article Fifty-One: Company Law:**

The provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Law and its Regulations, and the relevant rules, regulations and instructions shall be applied to everything not mentioned in this Articles of Association.

#### **Article Fifty-Two: Publication:**

This statute shall be deposited and published in accordance with the Companies Law and its Regulations.

Company's name Saudi Arabian Cooperative Insurance Company	Articles of Association	Ministry of Commerce (Corporate Governance Department)
Commercial Registry: - (1010237214)	Date 10/ 11/ 1442 20/06/2021	
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