

Company By-Law

Gulf Union Al Ahlia Cooperative Insurance Company

Saudi Joint Stock Company

CHAPTER (I)

Incorporation of the Company

Article (1) : Incorporation

It shall be incorporated in accordance with the provisions of cooperative insurance companies control law, the Companies Law, the Capital Market Law and its Implementing Regulations and the Articles of Association of the company, its shall be a Saudi Joint Stock company among the holders of shares, the provisions of which are stipulated below.

Article (2) : Name of the Company

Gulf Union Al Ahlia Cooperative Insurance Co, a Saudi Joint Stock Company.

Article (3) : Purpose of the Company

To conduct the works of cooperative insurance in the class of general insurance, health insurance and protection and savings insurance. The Company may conduct all business activities necessary to achieve its objectives and shall transact such activities in conformity with the cooperative insurance companies control law, its Implementing Regulations and the rules issued by the Saudi Central Bank "SAMA" and the laws and regulations applicable in the Kingdom of Saudi Arabia after obtaining all necessary licenses from the competent authorities, if any.

Article (4) : Participation with other Companies

The Company may establish limited liability companies or shareholding from one person. It may also own shares or stock in other existing companies or merge with such companies and may work with third parties on establishing joint stock or limited liability companies - provided that the companies established by the Company or participate in or merging with transacts business activities similar to its business or financial business or that helps in achieving its purpose - having complied with the requirements of applicable laws and instructions in this regard; and after obtaining the approval of the Saudi Central Bank.

Article (5) : Head Office of the Company

The Head Office of the Company shall be in Dammam city, and may be transferred, by decision of the Extraordinary General Assembly, to another city in the Kingdom of Saudi Arabia upon approval of the Saudi Central Bank. The Company may also set branches, offices or agencies inside or outside the Kingdom of Saudi Arabia after the approval of the Saudi Central Bank.

Article (6) : Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years as from the date of its registration in the Commercial Register. The duration of the Company may be extended by resolution of the Extraordinary General Assembly taken, at least, one year prior to the expiration of the ninety-nine year period.

CHAPTER(2)

Principles to be followed by the Company in its Operations and the Attainment of its Objectives

Article (7) : The Company Investments

The Company shall invest the insureds and shareholders' funds collected in the Company in accordance with the rules set by the Board of Directors and in a manner that does not conflict with the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and in conformity with the regulations and rules issued by the Saudi Central Bank or any other related party.

CHAPTER(3)

Share Capital and Shares

Article (8) : Share Capital

The capital of the Company is set at SR 458,949,280 (Four hundred Fifty Eight million and Nine hundred forty nine and Two hundred Eighty Saudi Riyals) divided into 45,894,928 (Forty Five million and Eight hundred Ninety Four thousand and Nine hundred Twenty Eight) shares having an equal nominal value of SR 10 (ten Saudi Riyals) each, all being ordinary cash shares.

Article (9) : Subscription to Shares

The shareholders have subscribed for all shares of the Company and fully paid their nominal value.

Article (10) : Shareholders Register

Shares of the company shall be traded in accordance with the rules of the Capital Market Law and its Implementing Regulations.

Article (11) : Issuance of Shares

Shares of the company shall be nominal and may not be issued in an amount less than their nominal value, but may be issued with a value higher than this value. In this latter case the value difference is added in an independent item within the shareholders' rights and may not be distributed among shareholders as profits. The shares is indivisible before the company, so if the share is owned by a number of people, they have to select one of them to represent them in using the rights related to such share and these persons shall be jointly responsible for the obligations resulting from the share ownership.

Article (12) : Shares Trading

Shares of the company shall be traded in accordance with the rules of the Capital Market Law and its Implementing Regulations.

Article (13)– capital Increase

- 1- The Extraordinary General Assembly may decide to increase the capital of the company after the approval of Saudi central bank and Capital Market Authority Provided that the capital is paid in full. However, it shall not be a condition that the capital is paid in full if the unpaid amount thereof is due to shares issued for converting debt instruments or financing bonds into shares and term for such conversion has not expired yet.
- 2- The Extraordinary General Assembly may, in all cases, allocate the shares issued upon the increase of the capital or a part thereof for the Company issuance of the shares allocated for the staff.
- 3- Upon the time of issuance of the general assembly decision of approval of capital increase, the shareholder holding the share shall have the priority to subscribe to new shares issued cash shares. Those shall be notified of their priority, if any, by publishing in a daily newspaper or by notifying them by registered mail of the decision of the capital increase and conditions, period and commencement and expiration date of the subscription.
- 4- The extraordinary general assembly shall have the right to stop the priority right of the shareholders to subscribe to capital increase against cash shares or giving the priority to non-shareholders in the cases it deems appropriate for the benefit the subscription.
- 5- A shareholder shall have the right to sell the priority right or assign same during the period from the time of issuance of the decision of the general assembly of the approval of the capital to the last day of subscription to the new shares associated with such rights in accordance with the controls put in place by Capital Market Authority.

Article (14)– Capital Reduction

- 1- The extraordinary general assembly may issue a resolution to reduce the capital of the company if it is in excess of its needs or if the company sustains losses after the approval of the Saudi central bank and Capital Market Authority provided the capital paid to the insurance company after capital reduction is not less than (300) Three Hundred million riyals. The decision to decrease the capital shall not be issued until a statement prepared by the board of directors stating the grounds for such decrease, the company's liabilities, and the effect of the decrease on satisfying such liabilities is presented at the general assembly. Said statement shall include the report of the company's auditor, and may be presented to shareholders in cases where the general assembly decision is passed by circulation.
- 2- If the capital reduction is due to that it is in excess of the company's needs, creditors shall be invited to express their objections at least 45 days prior to the date set for the extraordinary general assembly meeting to decide on the decrease. The invitation shall include a statement indicating the amount of capital prior to and after the decrease, the date of the meeting, and the date the decrease becomes effective. If a creditor objects and submitted its documents within the time limit, the company should pay its debt if it is due or provide it with a sufficient guarantee if it is deferred.
- 3- Equality among holders of shares of the same type and class shall be observed upon the decrease of capital.

CHAPTER (4)

Board of Directors

Article (15)– Company Management

The company shall be managed by a board of directors composed of seven (7) members to be elected by the ordinary general assembly for a period of not more than four years. In all cases, board members must be natural persons. The composition of the board of directors shall reflect an appropriate representation of independent members.

In all cases, the number of independent members of the board may not be less than two members or one third of the board members, whichever is greater.

Article (16)– Expiration of the Board Membership

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

Article (17)– The expiration of the term of the Board of Directors, the retirement of its members, or the membership vacancy

- 1- The board of directors shall call the ordinary general assembly to convene in ample time prior to the expiration of the board's term to elect a board of directors for a new term. If the election cannot be held and the term of the current board expires, its members shall continue to carry out their duties until a board

of directors is elected for a new term, provided that the period of such continuation of the lapsed Board does not exceed (90) days from the end date of the Board's term. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified

- 2- If the chairman and members of the board of directors resign, they shall call for an ordinary general assembly meeting to elect a new board. The resignation shall not take effect until a new board is elected, provided that the period of such continuation of the resigned Board does not exceed (120) days from the date of such resignation. And the Board shall undertake all necessary procedures to elect a new replacement Board before the expiry of the period specified
- 3- A board member may resign pursuant to a written notice submitted to the chairman of the board of directors. If the chairman of the board resigns, the notice shall be submitted to the board members and the board's secretary. In both cases, the resignation shall take effect from the date specified in the notice.
- 4- if the position of a board member of a joint-stock company becomes vacant due to his death or resignation, and if the minimum number of members required for the validity of board meetings as stipulated in this Law or the company's articles of association is not affected by such vacancy, the board may appoint a qualified person with relevant expertise to provisionally fill the vacancy. The appointment shall be reported to the Commercial Register, and to the CMA if the company is listed in the capital market, within 15 days from the date of such appointment, and it shall be submitted to the ordinary general assembly in its first meeting. The appointed member shall complete the term of his predecessor.
- 5- If the number of board members falls below the minimum number required for the validity of board meetings as stipulated in this Law or the company's articles of association, the remaining members shall call for an ordinary general assembly meeting within 60 days to elect the required number of members.

Article (18)– Powers of the Board

Subject to terms of reference of the General Assembly, the Board of directors shall have the widest powers to manage the Company in a manner achieving its objectives except for the actions and acts within the competence of the general assembly that are covered under a special provision of the Companies law or these articles.

The board may also, within the limits of its competence, delegate one or more of its members or of third parties to conduct certain work or works in a manner consistent with the relevant laws and regulations.

The Chairman of the Board of Directors may, for example, but not be limited to, represent the company in its relations with third parties, governmental and private firms, courts, the Board of Grievances, labor and workers offices, the higher and primary committees for settling labor disputes, the Commercial notes Committee, all other judicial committees, arbitration bodies, civil rights, police departments, and chambers of commerce and industry. And all companies, institutions, banks, commercial banks, fiscal houses, all government finance funds and institutions with their various names and competences, and other lenders.

The Chairman of the Board of Directors has the right to acknowledge, demand, defend, plead, litigate, waive, conciliate, accept and deny judgments, arbitration, request execution of judgments and oppose them, collect what resulting from execution, enter into tenders, sell, buy and mortgage real estate.

The Chairman of the Board of Directors also has the right to contract and sign on behalf of the company and on its behalf all types of contracts, documents, including without limitation the contracts of incorporation of companies in which the company participates with all its amendments, appendices, amendment decisions and signing agreements and Sukuks before the notary public and official bodies, as well as loan agreements, safeguards, guarantees and Sukuks for buying and selling real estate, issuing legal powers of attorney on behalf of the company, selling, buying, emptying, accepting, receiving, delivering, renting, leasing, receiving and paying, opening accounts and credits, withdrawing and depositing with banks, issuing guarantees to banks, funds and government financing institutions, signing all papers, promissory notes, cheques, all commercial papers and documents, and all banking transactions.

The board of directors may also conclude contracts of loans regardless of their duration, sell or mortgage the assets of the company, sell or mortgage the commercial shop of the company or release the debtors of the company from their obligations unless these articles include anything or the ordinary general assembly issues anything restrict the powers of the board of directors in that.

The deputy chairman of the board of directors to assist the chairman of the board in matters and issues related to the board of directors of the company, and he also replaces the chairman of the board in the absence of the chairman, calling the board to convene in the absence of the chairman, presiding over the meetings of the board in the absence of the chairman, managing and leading the process of evaluating the performance of the chairman of the board In coordination with other members of the Board, carry out any other responsibilities stipulated in the company's by law.

The Chief Executive Officer has the right to execute the executive management activities of the Company and follow the daily activities, and has the following powers, for example, but not limited to:

Managing the daily operations of the Company, and has all the powers necessary to carry out the Company's objects, represent the company in all governmental, official, supervisory and private agencies inside and outside the kingdom of Saudi Arabia, and signing contracts in the name of the Company, entering into tenders and auctions and do all actions necessary with all parties, appoint managers and employees of the company or to dismiss them. Appointing and dismissing Company representatives, legal consultants.

Represent the Company at the Ministry of Commerce and Investment, Chambers of Commerce and Saudi Arabian General Investment Authority, for issuing commercial registrations, licenses, renewal and cancellation, add and delete activities, open branches and appoint its managers, obtain electronic services, receiving symbols and passcodes, registering brand names and trademarks, filing objections on the registration of trademarks.

The Chief Executive Officer – based on the decision of the majority of the members of the Board of Directors – has the power to establish subsidiaries, amend their founding contracts, review the Ministry of Justice, the Ministry of Commerce, the General Authority for Investment, the Chamber of Commerce, the General Authority for Zakat and Income, the notary public and all the competent authorities to complete the procedures

for establishing subsidiaries and sign the necessary and the right to appoint employees in the companies affiliated, contracting with them, and isolating them.

Represent the Company at the Saudi Central Bank, Council of Health Insurance and the General Organization for Social Insurance, conduct the subscriptions and sign all dealings and requests and apply for the electronic services and receipt of the passcodes, request all data and certificates required, apply for employment injury benefits.

Represent the Company at the Ministry of Finance and the General Authority of Zakat and Tax, and sign all documents, and request final or temporary Zakat certificates, and delivery of interim and final financial statements.

Represent the Company at civil defense and municipality to apply for and receive permits, renewal, modification and cancellation.

Represent the Company at the Ministry of Labor and Social Development, Human Resources Development and Recruitment Offices, the Ministry of Foreign Affairs, to open files and issue the visas and receive compensation for visas and recover the amounts of the visas, and to adjust the professions and the nationalities, the guarantees and the transfer data updates, and to report breaches of sponsorship requirements, and to cancel breaches of sponsorship requirements, and issue licenses and renewal activities, and to add personnel and cancel them, and receive certificates of Saudization, apply for business visit visas through Saudi diplomatic missions and embassies and consulates abroad, visa extensions and signing contracts with recruitment offices and request electronic services and receipt of symbols and numbers. Signing agreements to support programs and receive subsidies and settlements.

The right to operate with the relevant government authorities, including the passport office, in matters relating to; passports, obtaining residence permits, renewal of residence permits, getting replacement for loss or damaged residence permits, making exit re-entry, making of final exit, transfer of sponsorships, transfer of the sponsorship of workers to the Company, transfer of data, updating data, changing vocations, settlement, assignment of workers, and to report breaches of sponsorship requirements, and to cancel breaches of sponsorship requirements, prevention from travel, cancelling prevention from travel orders, cancelling visas of exit re-entry, cancelling visas of final exits, obtaining replacement travel visas in the event of loss or damage, obtaining the extension of visit visas, finishing the procedures for deceased workers, obtaining statements of workers data (print), dropping workers, review of directorate of transfer and foreigners, directorate of ports affairs.

Represent the Company in all governmental, official and security ministries, bodies, authorities as well as emirates of regions, provinces and police departments and centers with all their business or their relations to others.

Represent the Company with all service provider companies such as telecommunications, fixed line, mobile and internet services, Saudi Electricity Company and National Water Company, to subscribe in its services or waiver or cancel services.

Also, have the right on behalf of the Company to sign for all the above authorities, issuing power of attorneys or authorization letters for one or more persons, for some or all the above authorities, and giving delegates the right to authorize others.

Article (19)– Remunerations of the Board Members, Remunerations of Chairman of the Board of Directors and the Managing Director

- 1- the ordinary general assembly shall determine the remuneration of board members, based on the recommendation of the Nomination and Remuneration Committee, the Remuneration must be fair and proportionate to the Board member's activities carried out and responsibilities borne by the Board members
- 2- The remuneration of members of the board of directors a specific amount or attendance allowance for the meetings, in kind benefits or a certain percentage of net profits. Two or more of such benefits may be combined.
- 3- If the remuneration is a certain percentage of the company profit, such percentage may not exceed (10%) of the net profits after deducting the reserves decided by the general assembly in implementation of the provisions of cooperative insurance companies control law, companies law and theses articles and after distribution of a profit to shareholders that is not less than (5%) of the company paid capital and the eligibility for such remuneration shall be proportional to the number of meetings attended by the member
- 4- The report of the board of directors to the annual ordinary general assembly shall include a comprehensive statement of all remunerations, allowances for expenses, meeting allowances and other benefits obtained or were entitled to receive by each member of the members of the board of directors during the financial year. It shall also include a statement of what is received by the members of the board as workers or administrators or what they receive against technical or administrative works or consultation. It shall also include a statement of the number of the board meetings and the number of meetings attended by each member

Article (20)– Powers of Chairman of the Board of Directors and his Membership term, and the Membership of a Deputy, Managing Director and Secretary

The board of directors shall appoint from among its members a chairman, deputy chairman and shall appoint Chief Executive Officer. It may appoint a managing director. It is not permissible to combine. The chairman of the board of directors shall have the right to sign on behalf of the company and implement the decisions of the board. The chairman of the board of directors shall be concerned with representing the company before courts, arbitration bodies and third parties. By a written decision, the chairman of the board of directors may delegate some of its powers to other members of the board or third parties to conduct certain work or works. The board of directors shall determine salaries, allowances and remuneration for the both the board chairman and the managing director as stated in article (19) of these articles. The board of directors shall appoint a secretary of the board. The board may appoint one or more advisers therefor in the different affairs of the company and the board

shall determine their remunerations. The term of the board chairman, its deputy, managing director and secretary shall not exceed the membership term of each one of them of the board. They may be re-elected. The board may, at any time, remove them or any them

Article (21)– Meeting of the Board

- 1- The Board shall meet at the invitation of its chairman. The chairman of the board shall convene the meeting whenever requested in writing by a board member to discuss one or more matters. The invitation shall be documented in the manner seen by the board. The meetings of the board shall be held periodically and as needed provided the number of the board annual meetings shall not be less than (4) meetings where shall be at least one meeting each three months.
- 2- The board of directors shall determine the location of its meetings, and may hold its meetings through means of technology.

Article (22)– Quorum of the Board Meeting

- 1- The board meeting shall be valid only if attended by at least half of the members (whether in person or by proxy) on the condition that the number of the attendees shall not be less than at least three (3) members.
- 2- If the conditions required for holding the meeting of the board of directors are not met because the number of its members is below the minimum limit provided for in these articles, the remaining members shall convene the ordinary general assembly within sixty days to elect the required number of members.
- 3- A member of the board of directors may not appoint a representative to attend the meeting. Exception to that, the member of the board of directors may delegate another member.
- 4- The decision of the board shall be issued by a majority vote of attending members present or represented therein. In case of a tie, the chairman shall provide the casting vote.
- 5- The board of directors may issue decisions in urgent matters by circulation by presentation them to all members separately unless a member requests in writing the meeting of the board to deliberate thereon. The decisions shall be passed by the majority vote of members, Such decisions shall be presented to the board at its first following meeting.
- 6- A board decision shall become effective on the date of its issuance, unless the decision provides for a specific date or condition for its effectiveness.

Article (23)– Deliberations of the Board

The deliberations and decisions of the board shall be recorded in minutes signed by the meeting chairman, members of the board of directors present and secretary. Such minutes shall be recorded in special register signed by the chairman of the board of directors and the secretary.

Means of technology may be used to obtain signatures, record deliberations and decisions, and prepare meeting minutes.

Article (24)– Agreements and Contracts Conflict of interest and company competition

- 1– After obtaining non – objection y Saudi central bank, the company shall be entitled to conclude an agreement to manage technical services with one or more companies qualified in the insurance filed.
- 2– A member of the board of directors may not have any direct or indirect interest in works and contracts made for the account of the company unless by a license from the ordinary general assembly (or from the Board of Directors Based on a Delegation from the General Assembly in accordance with the relevant provisions). The member of the board of directors shall notify the board of its direct or indirect interest in the works and contracts made for the account of the company. Such notification shall be recorded in the meeting minutes.
- 3– Such member may not participation in voting on the decision issued in this regard in the board of directors and assemblies of shareholders.
- 4– The chairman of the board of directors shall notify the ordinary general assembly upon its holding of the works and contracts in which a member of the board has direct or indirect interest therein. The notification shall be accompanied by a special report form the external auditor of the company.
- 5– If the member of the board of directors fails to disclose its interest, the company or any interested party may request before the competent judicial body avoidance of the contract or abrogating the member to pay any profit or interest realized by it from that.
- 6– The responsibility for the damages resulting from the works and contracts referred to in paragraph (1) of this article shall lie with the member who is the stakeholder in the work or the contract as well as the members of the board of directors if such works and contracts made in violation of the provisions of such paragraph or if it is established that they are not fair or involve conflict on interest or result in damage to shareholders.
- 7– Members of the board of directors objecting to the decision shall be relieved from responsibility whenever the expressly record their objection in the meeting minutes. Absence from attending the meeting at which the decision is issued shall not be a reason for relieving from responsibility unless it is established that the absent member did not know the decision or was unable to object there to after knowing it.
- 8– Members of the board of directors may not participate in any work that would compete with the company or compete with the company in one of the branches of the activity it exercises, otherwise the company may claim from it before the competent judicial bodies the appropriates compensation unless it has a prior license from the ordinary general assembly– renewed each year– allowing it to do so.

CHAPTER (5)

SHAREHOLDERS ASSEMBLIES

Article (25)– Attendance of Assemblies

- 1– The general assembly, which is correctly formed, shall represent all shareholders
- 2– Each shareholder, regardless of the number of its shares, shall have the right to attend general assemblies of shareholders and for that may delegate a person other that the members of the board of directors or the Company staff to attend the general assembly. The meeting of the Shareholders General Assemblies may be

held, and a shareholder may participate in the deliberations therefore and vote on the resolutions made therein through modern technology means as per the controls developed by the Capital Market Authority.

Article (26)– Ordinary General Assembly Terms of Reference

With the exception of the matters designated for the extraordinary general assembly, the ordinary general assembly shall be concerned with all matters relating to the company. The ordinary general assembly shall be held at least once a year during the six months following the end of the company's fiscal year. Other ordinary assemblies may be called for as needed.

Article (27)– Extraordinary General Assembly Terms of Reference

The extraordinary general assembly shall be concerned with the amendment of the company's statute except for provisions prohibited to be amended by regulation. The extraordinary general assembly may issue resolutions regarding matters within the competence of the ordinary general assembly under the same terms and conditions prescribed for the ordinary general assembly.

Article (28)– Call for Assemblies

- 1- General or special assemblies of shareholders shall be held at an invitation of the board of directors. The board of directors shall convene the ordinary general assembly within 30 days if so requested by the auditor, Audit committee or a shareholder or a number of shareholders representing at least (10%) of the company's voting shares. The auditor may convene the Ordinary General Assembly in case the Board fails to convene 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 convened in the following cases:
 - a- If the period specified for holding expires (during the six months following the expiration of the fiscal year of the company) without holding thereof.
 - b- In case the number of members of the board of directors is below the minimum limit for valid holding.
 - c- If violations of the provisions of the regulation or the company by-law or an anomaly in company management are identified.
 - d- In the event the board fails to convene the general assembly within Thirty days from the request date of the auditor, Audit committee or a number of shareholders representing at least (10%) of the company's voting shares.
- 3- Such call shall be published at least twenty one (21) days prior to the time specified for holding, The invitation shall be published on the market's website and the company's website. A copy of the call and the agenda shall be sent to the Commercial Register and also a copy shall be sent to Capital Market Authority. However, extending the invitation on the said date to all shareholders through registered letters to the addresses registered in the shareholders' register, or by an announcement using means of technology may suffice. A copy of the invitation and the agenda shall be sent to Capital Market Authority within the period specified for publication.

Article (29)– Register of Attendance of Assemblies

Shareholders wishing to attend the general or special assembly shall register their names at the company's headquarters prior to the time specified for holding the assembly or through the means specified by the company in the invitation or on its website. The general assembly of the company may be held in any city within the Kingdom or through modern technology.

Article (30)– The Quorum of Ordinary General Assembly

- 1- An ordinary general assembly meeting shall not be valid unless attended by shareholders representing at least (a quarter) of the company's voting shares.
- 2- If the quorum required for holding the meeting of the ordinary general assembly is not available according to paragraph (1) of this article, a call is made for a second meeting to be held within the thirty days following the date set for the previous meeting. Such call shall be published in the manner provided for in article (30) of these articles. However, the second meeting may be held after an hour from the expiration of the period specified for holding the first meeting provided that the call for holding the first meeting shall state announcement of the possibility of holding such meeting. In all cases, the second meeting shall be valid regardless of the shares represented thereat.

Article (31)– Quorum of Extraordinary General Assembly

- 1- Holding of an extraordinary general assembly shall not be valid unless attended by shareholders representing at least half the company's voting shares.
- 2- If the quorum required for holding the meeting of the extraordinary general assembly is not available according to paragraph (1) of this article, a call is made for a second meeting under the same conditions provided for in article (30) of these articles, The second meeting may be held after an hour from the expiration of the period specified for holding the first meeting provided that the call for holding the first meeting shall state announcement of the possibility of holding such meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least (a quarter) of the company's voting shares.
- 3- If the required quorum is not available in the second meeting, a call shall be made for a third meeting to be held under the same conditions provided for in article (30) of these articles. The third meeting shall be valid regardless of the number of voting shares represented thereat after the approval of Capital Market Authority.

Article (32)– Voting in Assemblies

Votes in the ordinary and extraordinary assemblies shall be calculated on the basis of a vote per share. The cumulative voting shall be used in electing the Board of Directors where the share right voting may not be used more than once. Members of the board of directors may not participate in voting on the decisions of the assembly

regarding business and contracts in which they have a direct or indirect interest or that involve a conflict of interests.

Article (33)– Resolutions of Assemblies

Resolutions of the ordinary general assembly shall be passed by passed by the majority vote of voting rights represented in the meeting. Resolutions of the extraordinary general assembly shall be passed by the majority of two thirds of the voting rights represented in the meeting unless the resolution relates to increasing or decreasing the capital, extension of the company's term, dissolution of the company before expiry of the term specified in its by law regulation or merging the company with another company or division of the company into two companies or more where the resolution shall not be valid unless it is passed by the majority of three quarters of the voting rights represented in the meeting.

Article (34)– Discussion in the Assemblies

Each shareholder shall have the right to discuss the topics included in the agenda of the assembly and put questions regarding them to the members of the board of directors and the auditor. Each provision of this regulation depriving the shareholder of such right shall be void. The board of directors or the auditor shall answer the questions of shareholders to the extent that does not undermine the interest of the company. If the shareholder considers the reply to its question is unpersuasive, it may appeal to the assembly, the resolution of which in this regard shall be final.

Article (35)– Presiding over Assemblies and Preparation of Minutes

- 1- The general assembly shall be presided over by the chairman of the board of directors, its deputy in case of its absence or whoever is delegated by the board of directors from among its members and hence, in case of the absence of the chairman of the board of directors and its deputy, if none of the above is possible, the shareholders shall vote to designate a board member or any other person to chair the general assembly meeting.
- 2- Minutes of the meeting of the general assembly shall be drawn up containing the number of the shareholders present or represented, number of shares in their possession in person or by proxy, number of their votes, the decisions taken, number of dissenting or concurring votes and thorough summary of the discussion that took place in the meeting. Following each meeting, the minutes shall regularly be recorded in a special register signed by the chairman of the assembly, secretary and collector of votes.

CHAPTER (6)

BOARD COMMITTEES

Article (36)– Committees of the Board of Directors

Committees of the board of directors shall be formed in accordance with relevant laws and regulations.

CHAPTER (7)

AUDITORS

Article (37)– Appointment of the Auditor

- 1- The general assembly shall appoint one (or more) auditors from among the auditors licensed to practice in the Kingdom determine their remunerations and the period and scope of their work. It may re- appoint them provided that the total period of their appointment shall not exceed The specified period in accordance with the provisions prescribed by law
- 2- General assembly may remove the auditor, without prejudice to his right to compensation for any damage he incurs, if justified. The manager or the chairman of the board of directors shall notify the Competent Authority of the removal decision and the grounds therefor within a period not exceeding five days from the decision date.
- 3- The auditor may resign pursuant to a written notice submitted to the company. His assignment shall terminate from the date of submitting the resignation notice or at a later date as specified therein, without prejudice to the company's right to compensation for any damage it incurs, if justified. The resigning auditor shall, upon submission of the notice, provide the company and the Competent Authority with the reasons for his resignation. The company's manager or board of directors shall call the partners or shareholders to meet or the general assembly to be held, as the case may be, to review said reasons and appoint another auditor.

Article (38)– Powers of the Auditor

The auditor may, at any time, access the books and registrations of the company and other documents. It may request the statements and clarifications it considers necessary to be obtained. It may also verify the assets and liabilities of the company and other matters falling within the purview of its work. The board of directors shall enable it to perform its duty. If the auditor faces a difficulty in this regard, it shall record same in a report to be presented to the board of directors. In case the board fails to facilitate the work of the auditor, it shall request the board of directors to convene the general assembly to consider the matter. If the board of directors fails to call for a meeting within 30 days from the date of the auditor's request, the auditor himself may call for a meeting.

Article (39)– Obligations of the Auditor

The auditor shall submit to the annual general assembly a report on the company's financial statements prepared according to auditing standards approved in the Kingdom and including the position of the company management as to enabling it to obtain the statements and clarifications requested by it, the violations that might be detected by it of the provisions of the companies law, cooperative companies control law and its implementing regulations and other relevant laws, regulations and instructions and the company's by-law and its view on the fairness of the financial statements of the company. The auditor shall read out its report or a summary in the annual general assembly.

CHAPTER (8)
THE COMPANY'S ACCOUNTS
AND DISTRIBUTION OF PROFITS

Article (40)– Fiscal Year

The company fiscal year shall commence from the first of the month of January, and expire by the end of December of each Gregorian year.

Article (41)– Financial Documents

- 1– At the end of each fiscal year, the board of director shall prepare the financial statements (the financial statements consist of: statement of financial position for insurance operations and shareholders, statement of surplus(deficit) of insurance operations, statement of income of shareholders, statement of shareholders' rights, statement of cash flows for insurance operations, statements of cash flows for shareholders) a report on the activity and financial position of the company for the expired fiscal year. Such report shall include the method it proposes to distribute profits. The board shall place such documents at the disposal of the auditor at least (45) days before the time specified for holding the general assembly.
- 2– The chairman of the board of directors of the company, its chief executive officer, its chief financial officer shall sign the documents mentioned in paragraph (1). Copies thereof shall be deposited at the head office of the company at the disposal of shareholders at least (21) days before the time specified for holding the general assembly.
- 3– The chairman of the board of directors shall provide the shareholders with the financial statements of the company, report of the board of directors after signing the same, report of the auditor unless published using any means of technology, at least 21 days prior to the date set for the general assembly meeting. The chairman of the board shall also deposit such documents in accordance with the Regulations.

Articles (42)– Accounts of Insurance Operations

Accounts of an insurance operation shall be independent from the statement of income of shareholders as follows:

First: Accounts of insurance operations:

- 1– An account shall be allocated to earned premiums, and reinsurance and other commissions.
- 2– An account shall be allocated to reimbursements incurred by the company.
- 3– At the end of each year, the total surplus representing the difference between the total premiums and reimbursements less marketing, administrative and operational charges and the required technical provisions according to the instructions regulating same shall be determined.

- 4- The determination of the net surplus shall be as follows: The return on investment relating to those insured shall be added to the total surplus set forth in paragraph (3) above or deducted therefrom after calculating the returns due to them and deducting the realized charges due from them.
- 5- Distribution of net surplus: It shall be made either by distributing (10%) ten percent to those insured directly or by decreasing their premiums for the following year. (90%) ninety percent shall be carried forward to the income account of shareholders.

Second: Shareholders' income statement:

- 1- The shareholders' profits from the return on the investment of the shareholders' funds shall be according to the rules developed by the board of directors.
- 2- The shareholders' shares of the net surplus shall be as set forth in paragraph (5) of the item first of this article,

Article (43)– Zakat and Reserve

The Company shall:

- 1- Set aside Zakat and income tax established by regulation.
- 2- Set aside (20%) of the net profits to form a statutory reserve. The ordinary general assembly may discontinue such setting aside when the total reserves amount to (100%) of the paid capital.
- 3- Upon determination net profits per share, the ordinary general assembly may decide to form other reserves to the extent achieving the interest of the company or ensuring the distribution of fixed profits as possible among shareholders
- 4- Distribute the company annual net profits determined by it after deducting all overheads and other costs and forming the reserves required to face doubtful debts, losses of investments and contingent liabilities the board of directors deems necessary in accordance with the provisions of the cooperative insurance companies control law, provisions issued by Saudi central bank. From the remaining profits after deduction the reserves established under relevant regulations and Zakat a ratio of not less than 5% of the paid capital for distribution among shareholders as proposed by the board of directors and decided by the general assembly. If the remaining ratio of profits due to shareholders is not sufficient to pay such ratio, shareholders may not request payment thereof in the following year or years and the general assembly may not decide to distribute a ratio of profits that is in excess of what has been proposed by the board of directors.

Article (44)– Entitlement of Profits

A shareholder shall be entitled to its share of the profits in accordance with the resolution of the general assembly issued in this regard. The resolution shall indicate the entitlement date and distribution date. The entitlement to profits shall be for the shareholders registered in the registers of shareholders at the end of the day specified for entitlement. The company shall notify Capital Market Authority without delay of any decisions for the distribution of profits or recommending same. The profits to be distributed among shareholders shall be paid in the place and on the date determined by the board of directors in accordance with the instructions issued by the competent authority subject to the prior written approval of Saudi central bank.

Article (45)– Losses of the Company

If the losses of a joint-stock company amount to half of the issued capital, the board of directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from said date, call for an extraordinary general assembly meeting to consider the continuation of the company by taking measures necessary to resolve such losses or the dissolution of the company.

CHAPTER (9) DISPUTES

Article (46)– Responsibility of the Company

The company shall observe all actions and acts of the board of directors even if they are within not its terms of reference unless the stakeholder is ill-intentioned or knows that such acts are not within the terms of reference of the board.

Article (47)– Responsibility of Members of the Board of Directors

- 1- Members of the board of directors shall be jointly responsible for compensating the company, shareholders or third parties for the damage arising out from a wrongful act, negligence, or omission in the performance of their duties or their violation of the provisions of cooperative companies control law and its implementing regulations and other relevant regulations and instructions and the companies law and the company's by law. Each condition requires otherwise shall be void. The responsibility shall lie with all members of the board of directors if the error occurs due to a decision taken by them unanimously. The decisions issued by a majority of opinions, the objecting members shall not be responsible for whenever they record their objection in the meeting minutes. Absence from the meeting at which the decision is issued shall not be a reason for relieving from responsibility unless it is established that the member is not aware of the decision or able to object thereto after being aware thereof.
- 2- The company may initiate a derivative action against the board members for any damage incurred by the company resulting from the violation of the companies Law or the company's articles of incorporation or articles of association or from a wrongful act, negligence, or omission in the performance of their duties. The decision to initiate the action and to designate a representative on behalf of the company to pursue such action shall be made by the general assembly. If the company is under liquidation, the liquidator shall initiate the action. If any liquidation proceedings are initiated against the company under the Bankruptcy Law, the action shall be initiated by its legal representative.
- 3- The approval of the ordinary general assembly to release the members of the board of directors shall not prevent filing the responsibility case.

- 4- A single partner or shareholder, or more, representing 5% of the company's capital, may initiate a derivative action on behalf of the company if such action is not initiated by the company, provided the action serves the interests of the company and is based on valid grounds, and the plaintiff is acting in good faith and is a partner or shareholder in the company at the time of initiating the action.
- 5- To initiate the action referred to in item (4) of this Article, the company's board members, as the case may be, shall be notified of the intent to initiate the action at least 14 days prior to the initiation date.
- 6- A shareholder may initiate a private right of action against the board members if the wrongful act attributed thereto results in a damage personally affecting him
- 7- The competent judicial authority may, at the request of a shareholder, order the company to pay the expenses he incurred in the initiation of a derivative action, regardless of its outcome, if he initiates the action in good faith and such action is in the interest of the company.
- 8- Except for the cases of fraud and forgery the responsibility case shall not be heard after lapse of five (5) years from the expiration date of the fiscal year in which the wrongful act occurs or three (3) years from the membership expiration of the member of the board of directors concerned, whichever is later.
- 9- The company's manager or a board member shall be deemed to have fulfilled his duty in a decision he made or voted on in good faith if he:
 - a) has no personal interest in the subject matter of the decision;
 - b) understands and is familiar with the subject matter of the decision to an extent he deems reasonable according to the circumstances of the decision; and
 - c) believes firmly and rationally that the decision serves the company's interests.

The burden of proving otherwise shall rest with the plaintiff. For the purposes of this Article, a decision shall refer to an action or omission relating to the company's business.

CHAPTER (10)

LIQUIDATION OF THE COMPANY

Article (48)– Expiration of the Company

- 1- Once it expires, the company shall enter into liquidation. It shall retain the legal personality to the extent necessary for liquidation.
- 2- The decision of the voluntary liquidation shall be issued by the Extraordinary general assembly.
- 3- The liquidation decision shall include the appointment of the liquidator, determination of its authorities, fees, the restrictions imposed on its authorities and the time limit required for liquidation. The period of the voluntary liquidation shall not exceed three (3) years and may be extended only by a judicial order.
- 4- The authority of the board of directors of the company shall expire by its dissolution. However, it shall manage the company and be deemed by third parties as liquidators until the liquidator is appointed. During the period of liquidation, the terms of reference of the company assemblies that are consistent with the terms of reference of the liquidator shall remain.

CHAPTER (11)
FINAL PROVISIONS

Article (49)– Company Law

The provisions of the cooperative companies control law and its implementing regulations, the Companies Law and its regulations, and other relevant laws, regulations and instructions shall apply to matters not provided for in these articles.

Article (50)– Publication

These articles shall be deposited and published in accordance with the Companies Law and its regulations