

## Chapter One

### Establishment of the company:

#### Article one: Establishment

The company, a Saudi joint stock company, is established in accordance with the provisions of the Cooperative Insurance Companies Control Law and its executive regulations, the Companies Law, the Capital Market Law and its executive regulations, and the Company's foundation system, among the shareholders whose provisions are stipulated below.

#### Article two: Company name:

Allied Corporative Insurance Group Company (ACIG), a Saudi joint stock company.

#### Article three: Purposes of the company:

The company was established to exercise the works of cooperative insurance in the general and health insurance branch. The company may undertake all the works that is required to be carried out to achieve its objectives. Moreover, it exercises its activities in accordance with the Cooperative Insurance Companies Control Law and its executive regulations, the provisions issued by the Corporation, and the regulations and rules in force in the Kingdom of Saudi Arabia, after obtaining the necessary licenses from the competent authorities, if any.

#### Article four: Participation and Ownership in Companies:

The company may establish limited liability companies or closed joint stock companies (provided that the capital is not less than (5) five million Saudi riyals). Besides, it is entitled to own stocks and shares in other existing companies or merge with them and to participate with others in the establishment of joint stock companies or Limited liability companies provided that the companies established by the company or participating in it or merging with it exercise similar works or financial works or that assist it in achieving its purpose - after fulfilling the requirements of the regulations and instructions followed in this regard, after obtaining the approval of the Saudi Arabian Monetary Agency.

#### Article five: The Company's head office:

The head office of the company will be in Riyadh in the Kingdom of Saudi Arabia. It is permissible by a decision of the extraordinary general assembly to transfer the head office to any other city in the Kingdom of Saudi Arabia with the consent of the Saudi Arabian Monetary Agency. The company may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia after obtaining the consent of the Saudi Arabian Monetary Agency.

**Article six: Term of the company:**

The term of the company is (99) ninety-nine Gregorian years. It starts from the date of its registration in the commercial register. The term of the company may be extended by a decision issued by the extraordinary general assembly at least one year before the end of this period.

## **Chapter Two**

**The rules that the company is committed to in exercising its works and the purposes specified for it:**

**Article Seven: The company's investments:**

The company invests the money it has from the insured and shareholders in the company in accordance with the rules set by the board of directors and in a way that is not contradictory with the cooperative Insurance Companies Control Law and its executive regulations and other relevant regulations and instructions issued by the Saudi Arabian Monetary Agency or any other related party.

## **Chapter Three**

### **Capital and Shares:**

**Article eight: Capital:**

The capital of the company is (291,000,000) one hundred and forty one million Saudi riyals, divided into (29,100,000) fourteen million and one hundred thousand shares of equal value with a nominal value of (10) ten Saudi riyals per share. All the shares are ordinary shares.

**Article nine: Subscription to Shares:**

The shareholders have subscribed to the entire capital of the company. The value has been paid in full.

**Article ten: Shareholders Register:**

The company's shares are traded in accordance with the provisions of the Capital Market Law and its executive regulations.

**Article eleven: Issuance of Shares**

The company's shares are nominal and may not be issued for less than their nominal value, but may be issued for a higher value. In this last case, the difference in value is

added in a separate item within the shareholders' equity. It is not permissible to distribute this value as dividends to shareholders. The share is indivisible against the company. If the share is owned by several shareholders, they must select one of them to represent them in exercising the rights related to it. Those individuals are jointly responsible for the obligations arising from the ownership of the share.

**Article twelve: Trading in Shares:**

The shares subscribed by the founders may not be traded until after the financial statements have been published for two fiscal years, each of which is not less than (12) twelve months from the date of the company's foundation. The bonds of these shares are marked with an indication of their type, date of the company's foundation and the period during which trading is prohibited. However, during the prohibition period, the ownership of shares may be transferred in accordance with 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 third parties or in the event of execution on the money of a founder if he becomes insolvent or bankrupt, provided that the priority of owning those shares is given to the other founders. The provisions of this article must apply to what the founders subscribe in the event of an increase in the capital before the expiry of the prohibition period.

**Article thirteen: The increase in capital:**

The extraordinary general assembly has the right to decide to increase the capital of the company after the approval of the competent authorities, provided that the capital has been paid in full. The shareholder, who owns the share at the time of the issuance of the general assembly's decision approving the capital increase, has the priority in subscribing to new shares issued in exchange for cash shares. This shareholder is informed of his priority - if any - by publishing in a daily newspaper or by notifying them by a registered mail of the decision to increase the capital, terms of subscription, duration and its start and end date. The extraordinary general assembly reserves the right to suspend the priority right of the shareholders to subscribe by increasing the capital in exchange for cash shares or giving priority to non-shareholders in the cases it deems appropriate for the interest of the company. The shareholder has the right to sell or assign the priority right during the period from the time of the issuance of the general assembly's decision approving the capital increase until the last day of subscribing to the new shares which are related to these rights, in accordance with the regulations set by the competent authority.

**Article fourteen: Capital Reduction:**

The extraordinary general assembly may decide to reduce the capital if it exceeds the company's needs or if it suffers losses, after the approval of the competent authorities, provided that the capital paid to the insurance company after reducing the capital is not less than (100) one hundred million riyals, and the capital paid to the reinsurance company or an insurance company that simultaneously exercises reinsurance works is

not less than (200) two hundred million riyals. The reduction decision is not issued until after reading a special report prepared by the auditor on the reasons for it, the obligations of the company, and the impact of the reduction in these obligations. If the reduction of the capital is a result of being more than the company's need, the creditors must be invited 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. If one of the creditors objects and submits his documents to the company on the stipulated date, the company must pay him his debt if it is due, or provide him with a sufficient guarantee to pay it if it is deferred.

## **Chapter Four**

### **Board of Directors:**

#### **Article fifteen: Company management:**

The company is managed by a board of directors of (10) members elected by the ordinary general assembly for a period not exceeding three years. The formation of the board of directors must reflect an appropriate representation of the independent members. In all cases, the number of independent council members may not be less than two members or one third of the council members, whichever is greater. As an exception to this, the constituent assembly appoints the members of the first board of directors for a period not exceeding (3) three years starting from the date of the publication of the decision of the Ministry of Commerce and Investment to establish the company.

#### **Article sixteen: Termination of board membership:**

The membership of the Board of Directors terminates upon the expiration of the term of appointment, resignation, or death, or if it is proven to the Board of Directors that the member has violated his duties in a manner that causes harm to the interest of the company, provided that this is accompanied by the approval of the ordinary general assembly, or with the expiration of his membership in accordance with any applicable system or instructions in the Kingdom of Saudi Arabia, or if a judgment declared his bankruptcy or insolvency, in case he submitted a request for settlement with his creditors, stopped paying his debts, became unconscious, suffered from mental illness, or if it is proven that he has committed an act of dishonesty and morality, or has been convicted of forgery. However, 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. The member of the board of directors is entitled to resign provided that the resignation occurs in an appropriate time. Otherwise, he was responsible before the company for the damages resulting from the retirement.

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

In the event that the position of a member of the Board of Directors becomes vacant, the Board may temporarily appoint a member in the vacant position. This member must have sufficient experience, after obtaining the Saudi Arabian Monetary Agency's no-objection and without considering the arrangement for obtaining votes in the general assembly through which the Board of Directors was elected. This must be reported to the Capital Market Authority within (5) five working days from the date of appointment. This appointment must be submitted to the ordinary general assembly in its first meeting. The ordinary general assembly may be invited to convene by a decision of the competent authority in the event that the number of members of the board of directors is less than the minimum number that is required for meeting. The Saudi Arabian Monetary Agency must be notified if any member of the board resigns or his membership is terminated for any reason other than the end of the board's session, within (5) five working days from the date of leaving work, putting in consideration the relevant disclosure requirements.

#### **Article eighteen: Powers of the board:**

Taking into account the competencies specified for the general assembly, the Board of Directors will have the widest powers in managing the company to achieve its purpose. In addition, , it may, within the limits of its competence, delegate one or more of its members or third parties to carry out certain work or works, in a manner that does not conflict with the relevant laws and regulations .The chairman of the Board of Directors is entitled to represent the company in its relations with third parties, government and private agencies, police stations, chambers of commerce and industry, all companies, institutions, banks, commercial banks, money houses, all government finance funds and institutions of various names and specializations, and other lenders. The Board has the right to discharge the company's debtors from their obligations, enter into tenders, sell, buy and mortgage real estates. The chairman of the Board of Directors has the right to contract and sign on behalf of the company and on its behalf all types of contracts, documents, including the contracts of foundation of companies in which the company participates with all its amendments, appendices, amendment decisions and signing agreements and instruments before the notary public and official bodies, as well as loan agreements, guarantees and. and instruments for the purpose of buying and selling real estate, issuing legal agencies on behalf of the company, selling, buying, evacuation, accepting, receiving, delivering, renting, leasing, receipt and paying, opening accounts and credits, withdrawing and depositing in banks, issuing guarantees in banks, funds and government financing institutions, signing all papers, order bonds, cheques, all commercial papers and documents, and all banking transactions.

### **Article nineteen: Remuneration of Board Members:**

1. The minimum annual remuneration of the chairman of the Board of Directors for the services he performs will be in an amount of one hundred and eighty thousand (180,000) Saudi Riyals annually. The minimum remuneration of each member of the Board of Directors for the service he performs is estimated in an amount of one hundred and twenty thousand (120,000) Saudi riyals annually, provided that the upper limit is five hundred thousand (500,000) Saudi riyals annually. These amounts are paid in return for their membership in the Board of Directors and their participation in its works, including additional rewards in the event that a member participates in any of the committees emanating from the Board of Directors.
2. If the reward is a certain percentage of the company's profits, then this percentage must not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control Law and the companies law and this Law, after the distribution of profits to shareholders not less than (5%) of the company's paid capital, provided that the entitlement to this reward is proportional to the number of sessions attended by the member. In case of any violations regarding the afore mention point, it will be held invalid and void.
3. In all cases; The sum of what a member of the Board of Directors receives in terms of financial or in-kind remunerations and benefits must not exceed five hundred thousand riyals annually (with the exception of members of the Audit Committee), in accordance with the regulations 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 the rewards, expense allowances and other benefits received by the Board members during the financial year. It must also include a statement of what the board members received in their capacity as workers or administrators, or what they received in return for technical or administrative work or consultancy as well as 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: The powers of the chairman, deputy, managing director and secretary:**

The Board of Directors appoints from among its members a chairman and a vice-chairman. It also appoints the chief executive officer in addition to a delegated member. It is not permissible to combine the position of the chairman of the Board of Directors with any other executive position in the company. The chairman of the Board of Directors has the right to sign on behalf of the company and implement the decisions of the Board. The chairman of the Board of Directors is entitled to represent the company before the courts, arbitration bodies and others. He may also, by a

written decision, delegate some of his powers to other members of the Board or to third parties in carrying out specific work or works. The Board of Directors determines the salaries, allowances, and remunerations for each of the chairman and managing director, in accordance with what is stipulated in article (19) of this Law. The board of directors must appoint a secretary for the board. It must also appoint one or more advisors in the various affairs of the company and determine their remuneration. The term of the chairman, his deputy, the managing director and the secretary of the board of directors must not exceed the term of their membership in the board. They can be re-elected. The board, at any time, may dismiss all or any of them without prejudice to their right to be compensated if the dismissal occurred for an unlawful reason or at an inappropriate time.

The chairman of the Board of Directors may open accounts with banks in the name of the company, sign agreements, register agencies and trademarks, and open branches for the company after obtaining the institution's no-objection, extract and renew commercial records for the company, subscribe to and renew the Chamber of Commerce, extract and renew licenses for the company, extract and renew main and subsidiary commercial records and make amendments to them, including deleting, adding, changing, amendment or cancelling, request the extraction and renewal of licenses of all kinds and making amendments to them, including deleting, adding, changing, modifying or canceling, and booking and renewing trade names.

He has the right to open, manage and operate current and investment accounts, investment portfolios and stock portfolios in the name of the company with all banks inside and outside the Kingdom of Saudi Arabia, closing or liquidating them, withdrawing, depositing, signing cheques, opening credits and signing all necessary documents.

He is entitled to follow up all the company's transactions, clear them, and receive its rights with third parties, whether they are cheques, credits, cash or bank guarantees, and he has the right to cash them in the interest of the company.

He has the right to receive the profits belonging to the company with all companies of all kinds, receive the extracts and compensations for the company with all government agencies and other private parties, individuals, companies or banks and receive their value and sign on behalf of the company in all that is necessary for that, collect the company's debts with others and pay the debts owed by the company, request banking facilities and credits from all banks in accordance with Shariah regulations, represent the company in its relations with third parties, agencies, ministries, government bodies and institutions, embassies and their branches, and their affiliated departments and sections, agencies, companies, institutions and private associations. He is authorized to represent the company before all public, commercial, criminal, labor and other judicial bodies and authorities in and outside the Kingdom of Saudi Arabia and the Administrative Court (the Board of Grievances), Labor offices, higher and primary bodies for settling labor disputes, commercial paper committees,



committees for adjudication of insurance disputes and violations, all other judicial committees, arbitration bodies, civil rights, notaries, police stations, all security and military agencies, chambers of commerce and industry, the Bureau of Investigation and Public Prosecution, and customs committees. commercial fraud committees, the control and investigation authority, offices for adjudication of commercial paper disputes, committees for settling commercial disputes, and all companies, institutions, individuals, banks, commercial banks and money houses, the right to contract with consulting offices and the right to appoint and dismiss lawyers and agents, grant the powers of signature in the name of the company to the company's officials within the limits of what he deems appropriate.

With regard to passports, he is entitled to extract and renew iqamas, extract replacement iqamas for lost or damaged ones, exit and return visas, final exit visas, transfer of guarantees, transfer information, update data, modify professions, settlement, assignment of workers, escape notification, cancellation of escape reports, cancellation of exit and return visas, cancellation of final exit visas, issuance of travel replacement visas for damaged or lost ones, obtaining the extension of visitor visas, adding dependents, and ending the procedures of the deceased workers, extracting workers' data (print), dropping workers, reviewing the deportation department and expatriates, extracting return certificates. With regard to the recruitment office, extracting visas, canceling visas, refunding visa amounts, amending nationalities, extracting family visit visas, extracting visas to bring families, modifying professions in visas, and reviewing embassies and consulates, extending exit and return visas, extending visitor visas and the extraction of a data statement (Print). Concerning the recruitment of workers according to a visa, the recruitment of workers from abroad, all government and legal departments, notaries civil rights, emirates of regions, governorates, centers, passports and traffic. He has the right to sign with all chambers of commerce and industry inside and outside the Kingdom of Saudi Arabia in addition to delegating or cancelling whomever he sees appropriate with all chambers of commerce, records management and the company's commercial works management. He can also make a shara'i power of attorney or delegate one of the members of the board of directors in undertaking work or works of the above-mentioned powers.

#### **Article twenty- one: Board Meetings:**

The board meets at the company's head office by the invitation of its chairman, and the chairman of the board must call for a meeting whenever two of the members so request. The invitation must be documented in the manner the board deems fit. The board meetings are held periodically and whenever needed, provided that the number of annual board meetings is not less than (4), so that there is at least one meeting every three months.



#### **Article twenty-two: The quorum of the Board Meeting:**

1. The meeting of the Board will not be valid unless attended by at least two-thirds of the members, provided that the number of attendees is not less than four.
2. If the necessary conditions for the meeting of the board of directors are not met due to the few number of members that do not reach the minimum stipulated in this Law, the rest of the members must invite the ordinary general assembly to convene within sixty days to elect the necessary number of members
3. By a decision of the Capital Market Authority, the ordinary general assembly may be called to convene in the event that the number of members of the board of directors is below the minimum needed for the validity of this meeting.
4. A member of the Board of Directors is not allowed to delegate someone else to attend the meeting on his behalf. As an exception, he may delegate other members on his behalf.
5. The decisions of the board are issued by a majority of the votes of the members who are present or represented therein. When the votes are equal, the side with which the chairperson voted prevails.
6. The Board of Directors is entitled to issue decisions in urgent matters by submitting them to the members separately, unless one of the members requests - in writing - the meeting of the Board to deliberate thereon. These decisions are submitted to the Board at its first subsequent meeting.

#### **Article twenty-three: Council Deliberations:**

The deliberations and decisions of the board are recorded in minutes signed by the chairperson, the members of the board of directors who are present and the secretary. These minutes are recorded in a special register signed by the chairman of the Board of Directors and the Secretary.

#### **Article twenty-four: Agreements and Contracts:**

The company, after obtaining the Saudi Arabian Monetary Agency's no-objection, has the right to conclude an agreement of the management of technical services with one or more companies qualified in the field of insurance. The board members have the right to conclude insurance contracts with the company in which they have an interest, provided that the chairman of the Board of Directors provides the general assembly with details of the insurance contracts. The member of the board of directors will inform the board of his direct or indirect interest in the works and contracts that are made for the company's interest. This notification must be recorded in the minutes of the meeting. This member is not allowed to participate in voting on the resolution issued in this regard in the Board of Directors and the shareholders' assemblies. The chairman of the Board of Directors informs the ordinary general assembly, when it convenes, of the works and contracts in which a member of the Board has a direct or

indirect interest. The notification is accompanied by a special report from the company's external auditor. If a board member fails to disclose his interest, the company or any party of an interest in the company is entitled to claim before the competent judicial authority to invalidate the contract or obligate the member to pay any profit or benefit arising from the member's interest.

## Chapter Five

### Shareholders' Assemblies:

#### Article twenty-five: Attending the Assemblies

The properly constituted general assembly represents all the shareholders. It is held in the city in which the company's head office lies. Each shareholder, regardless of the number of his shares, is entitled to attend the general assembly of shareholders. Besides, he may delegate another person other than the members of the board of directors or the company's employees to attend the general assembly on his behalf. The meetings of the general assemblies of shareholders may be held and the shareholder may participate in its deliberations and vote on its decisions by means of modern technology according to the controls set by the competent authority.

#### Article twenty-six: The constituent assembly:

The founders call all subscribers to hold a constituent assembly within (45) forty-five days from the date of closing the subscription in the shares. Each subscriber - regardless of the number of his shares - has the right to attend the constituent assembly. For the validity of the meeting, a number of subscribers representing at least half of the capital is required to attend. If this quorum is not met, an invitation is sent to a second meeting to be held at least (15) fifteen days after the invitation was sent to it. However, the second meeting may be held an hour after the end of the period specified for convening the first meeting. The invitation for holding the first meeting must include an announcement of the possibility of holding this meeting. In all cases, the second meeting will be valid regardless of the number of subscribers represented in it.

#### Article twenty- seven: Competences of the Constituent Assembly:

The Constituent Assembly is concerned with the following aspects:

1. Verifying that all shares of the company have been subscribed and that the minimum capital and the amount due from the value of the shares have been met.
2. Approving the final texts of the company's main system unless substantial amendments are made to the system submitted to it, except with the approval of all the subscribers represented therein.
3. Appointing members of the company's first board of directors for a period that does not exceed (3) three years if they were not appointed in the company's

contract of foundation or its main system.

4. Appointing the company's auditors and determining their fees if they were not appointed in the company's main system.
5. Deliberating and approving the founders' reports on the works and expenses required for the establishment of the company.

#### **Article twenty-eight: competences of the ordinary general assembly**

With the exception of the extraordinary general assembly specializations, the ordinary general assembly is concerned with all matters relating to the company. It is held at least once a year during the six months after the end of the company's financial year. Other ordinary general assemblies may be invited to meet whenever the need requires. Among the functions of the ordinary general assembly are the formation of the audit committee and the determination of the remuneration of its members and the rules of its work.

#### **Article twenty-nine: Competences of the extraordinary general assembly:**

The extraordinary general assembly is concerned with amending the company's main system, with the exception of the provisions that are prohibited to be amended by law. It has the right to issue decisions on matters related to the competence of the ordinary general assembly, according to the same terms and conditions prescribed for the ordinary general assembly.

#### **Article thirty: Invitation of assemblies:**

The general or special assemblies of shareholders are held by an invitation of the board of directors that must invite 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. The auditor may invite the assembly to convene if the board does not invite the assembly within (30) thirty days from the date of the auditor's request.

This invitation is published in a newspaper that is distributed in the area in which the company's head office lies, at least (21) twenty one days before the date specified for the meeting. A copy of the invitation and the agenda are sent to the Capital Market Authority. However, it may be sufficient to send the invitation on the aforementioned date to all shareholders by registered letters. A copy of the invitation and the agenda are sent to the Capital Market Authority during the period specified for publication.

#### **Article thirty-one: Record of attendance of associations:**

Shareholders who wish to attend the general or special assembly register their names at the assembly meeting place before the time set for its convening.

### **Article thirty- Two: The Ordinary General Assembly Meeting:**

The meeting of the ordinary general assembly is considered invalid unless attended by shareholders representing at least (a quarter) of the company's capital. If this quorum is not available in the first meeting, an invitation is sent to a second meeting to be held within thirty days following the previous meeting. This invitation will be published in the manner stipulated in article (30) of this Law. However, the second meeting may be held an hour after the expiry of the period specified for convening the first meeting, provided that the invitation to hold the first meeting includes an announcement of the possibility of holding this meeting. In all cases, the second meeting is held valid regardless of the number of shares represented in it. The meetings of the ordinary general assembly of shareholders may be held, and the shareholder may participate in its deliberations and vote on its decisions by means of modern technology, according to the controls set by the competent authority.

### **Article thirty-three: The extraordinary general assembly meeting quorum:**

The extraordinary general assembly meeting is considered invalid unless attended by shareholders representing (at least half of the company's capital). If this quorum is not available in the first meeting, an invitation is sent to a second meeting with the same conditions stipulated in article (30) of this Law. The second meeting will 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 the announcement of the possibility of holding this meeting. In all cases, the second meeting is held valid if attended by a number of shareholders representing at least a quarter of the capital. The quorum required for the second meeting is not met, an invitation was made to hold a third meeting in the same conditions stipulated in article (30) of this Law. The third meeting will be considered valid regardless of the number of shares represented therein, after the approval of the competent authorities. The extraordinary general assembly of shareholders may be held and the shareholder may participate in its deliberations and vote on its decisions by means of modern technology, according to the controls set by the competent authority.

### **Article thirty-four: Voting in Assemblies:**

Votes in the constituent assembly and the ordinary and extraordinary general assemblies are determined on a vote-per-share basis. The cumulative voting must be used in electing the Board of Directors, so that the right to vote per share may not be used more than once. The members of the Board of Directors are not allowed to participate in voting on the decisions of the assembly that are related to their discharge of liability for the management of the company or which relate to their direct or indirect interest.

**Article thirty-five: Decisions of the assemblies:**

The decisions in the Constituent Assembly are issued by the absolute majority of the shares represented therein. The decisions of the ordinary general assembly are issued by the absolute majority of the shares represented in the meeting. However, if these decisions are related to the evaluation of special advantages, the approval of the majority of subscribers to the shares representing (two thirds) of the mentioned shares after excluding what the beneficiaries have subscribed of the special privileges must be obtained. The decisions in the extraordinary general assembly are issued by a two-thirds majority of the shares represented in the meeting. In case the decision is related to an increase or decrease in the capital, the extension of the company's term, the dissolution of the company before the period specified in its system, its incorporation into a company or another institution, or its acquisition of another company, the decision will not be valid unless it is issued by a majority of three quarters of the shares represented in the meeting.

**Article thirty-six: Discussion in the assemblies:**

Each shareholder has the right to discuss the topics listed on the assembly's agenda and to direct questions related to them to the members of the Board of Directors and the auditor. If there is a provision in the company's main system that deprives the shareholder of this right, it is considered void. The board of directors or the auditor must answer the shareholders' questions to the extent that does not cause harm to the company's interest. If the shareholder finds that the answer to his question is not convincing, he may resort to the assembly whose decision is considered enforceable in this regard.

**Article thirty-seven: Chairing assemblies and preparing minutes:**

The general assembly is chaired by the chairman of the board of directors or his deputy if he is absent, or whoever is delegated by the board of directors from among its members for that in the absence of the chairman and his deputy. Minutes of the meeting of the general assembly will be drawn up including the number of shareholders who are present or represented, the number of shares they hold in person or by delegation, the number of votes specified to it, the decisions taken, the number of votes that it approved or objected to, and an adequate summary of the discussion that took place in the meeting. The minutes are recorded regularly after each meeting in a special register signed by the assembly president, secretary and vote collector.

## Chapter Six

### Committees emanating from the Board of Directors:

#### Article thirty-eight: Board of Directors' Committees:

The committees of the Board of Directors are formed in accordance with the relevant laws and regulations.

## Chapter Seven

### Auditor:

#### Article thirty-nine: Appointment of the auditor:

The general assembly must appoint one (or more) auditors from among the auditors licensed to work in the Kingdom, determine their remuneration and the duration of their work. It may reappoint them. The general assembly may also and at all times change them without prejudice to their right to compensation if the change occurred at an inappropriate time or for an unlawful reason.

#### Article forty: The powers of the auditor:

The auditor, at any time, is entitled to inspect the company's books, records and other documents. He may request data and clarifications that he deems necessary to obtain. He may also verify the company's assets and obligations in addition to other things that are within the scope of his work. The chairman of the board of directors must enable him to be able to carry out his duties. In the event that the auditor encounters difficulty in this regard, he must record this in a report submitted to the board of directors. If the Board does not facilitate the work of the auditor, the auditor must request the Board of Directors to invite the ordinary general assembly to consider the matter.

#### Article forty-one: The obligations of the auditor:

The auditor must submit to the annual general assembly a report that is prepared in accordance with the generally accepted auditing standards. The report must include the company's management position to enable him to obtain the data and clarifications he requested, and what he may have uncovered of violations of the provisions of the Cooperative Insurance Companies Control Law and its executive regulations, other relevant regulations and instructions and his opinion regarding the extent of the fairness of the company's financial statements. The auditor reads out his report in the general assembly. If the assembly decides to verify the report of the board of directors and the financial statements without listening to the auditor's report, its decision is considered void.

## Chapter Eight

### Company accounts and profits distribution:

#### Article forty -two: The financial year:

The company's financial year starts on the first of (January) and ends at the end of (December) of the same year, provided that the first financial year begins from the date of the ministerial decision issued to announce the company's foundation and ends on December 31<sup>st</sup> of the following year.

#### Article forty- three: The financial Documents:

1. The board of directors, at the end of each financial year, must prepare the financial statements (the financial statements consist of: the statement of financial position for insurance operations and shareholders, a statement of surplus (deficit) of insurance operations, a statement of shareholders' income, a statement of shareholders' equity, a statement of cash flows for insurance operations and a statement of cash flows of shareholders) and a report on the company's activity and financial position for the past financial year. This report includes the method it proposes for distributing profits. The Board sets these documents at the auditor's disposal at least (45) forty-five days prior to the date set for holding the general assembly.
2. The Chairman, the chief executive officer and chief financial officer must sign the documents mentioned in paragraph (1). Copies of these documents will be deposited at the head office of the company at the disposal of the shareholders, at least (21) twenty one days prior to the date set for holding the general assembly.
3. The chairman of the board of directors must provide the shareholders with the company's financial statements, the board's report, and the auditor's report, unless they are published in a daily newspaper distributed in the company's head office, provided that he sends a copy of these documents to the Capital Market Authority (15) fifteen days prior to the date set for holding the ordinary general assembly.

#### Article forty- four: Accounts of insurance operations:

The accounts of the insurance operation will be independent of the shareholders' income statement, according to the following detail:

##### **First: The accounts of insurance operations**

1. An account of earned premiums, reinsurance commissions and other commissions is determined and set aside.
2. An account for the compensation incurred by the company is set aside.
3. At the end of each year, the total surplus, which represents the difference between the total premiums and compensations minus the marketing,



administrative and operational expenses, and the necessary technical allocations, according to the instructions regulating that, is determined.

4. The determination of the net surplus will be as follows:

The insured allocations including investment return are added to or deducted from the total surplus stipulated in paragraph (3) above after calculating their returns and deducting their realized expenses.

5. Distribution of the net surplus. It is made either by distributing ten percent (10%) to the insured directly, or by reducing its premiums to the following year. A percentage of (90%) ninety percent is transferred to the shareholders' income accounts.

#### **Second: Shareholders Income Statement:**

1. The shareholders' profits from the return on investment of the shareholders' funds are in accordance with the rules set by the Board of Directors.
2. The shareholders' share of the net surplus will be according to what is specified in the fifth paragraph of the first item of this article.

#### **Article forty-five: Zakat and reserve:**

1. The prescribed zakat and income tax are set aside.
2. (20%) of the net profits required for forming a statutory reserve is set aside. The ordinary general assembly may stop this retention if the total reserve reaches (100%) of the paid capital.
3. The ordinary general assembly, upon determining the value of shares in the net profits, may decide to form other reserves, to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders.
4. The company's net annual profits, which it determines, are distributed after deducting all general expenses and other costs, and the formation of the reserves that are necessary for facing doubtful debts, investment losses and emergency obligations 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 Arabian Monetary Agency. With regard to the remaining profits, a percentage not less than (5%) of the paid capital, after deducting the prescribed reserves under the relevant regulations and zakat, is allocated for distribution to shareholders in accordance with what is proposed by the Board of Directors and decided by the General Assembly. If the remaining percentage of the profits due to shareholders is not sufficient to pay this percentage, then the shareholders are not allowed to request its payment in the

following year or years. The general assembly is not entitled to decide to distribute a percentage of the profits that exceeds what was proposed by the Board of Directors.

**Article forty-six: Entitlement to profits:**

The shareholder is entitled to his share of the profits in accordance with the decision of the general assembly issued in this regard. The decision will indicate the maturity date and the distribution date. The eligibility of profits will be for the owners of shares who are registered in the shareholders' records at the end of the day specified for entitlement. The company must notify the Capital Market Authority, without delay, of any decisions or recommendations regarding the distribution of profits. The profits to be distributed to shareholders must 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 the prior written approval of the Saudi Arabian Monetary Agency.

**Article Forty-seven: Company losses:**

If the company's losses reached half of the paid capital at any time during the financial year, any official of the company or the auditor 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 that. The Board of Directors must within (15) fifteen days of being notified of this, call the extraordinary general assembly for a meeting within (45) forty-five days from the date of being informed of the losses to decide either to increase or decrease the company's capital, in accordance with the provisions of the companies law, to the extent that the percentage of losses decrease below (half) of the paid capital, or dissolve the company before the term specified in its main system. In all cases, the assembly's decision will be published on the website of the Ministry of Commerce and Investment. The company is considered dissolved by force of law if the extraordinary general assembly did not meet within the period specified above, or if it met and was unable to issue a decision on the matter, or if it decided to increase the capital in accordance with the conditions stipulated in this article and the subscription to all the capital increase was not completed within (90) ninety days from the issuance of the Assembly's decision of the increase.

**Chapter ninth**

**Disputes:**

**Article forty-eight: The responsibility of the Company:**

The company is committed to all acts and conducts carried out by the board of directors, even if they are outside its competences, unless the stakeholder has bad faith or knows that such actions are outside the board's competences.

### **Article forty-nine: The responsibility of board members:**

The members of the board of directors are jointly responsible for compensating the company, shareholders or third parties for the damage resulting from their mismanagement of the company's affairs or their violation of the provisions of the Cooperative Insurance Companies Control Law and its executive regulations and other relevant regulations and instructions. The condition that violates this point is held null and void. The board of directors is considered responsible if an error arises from a decision issued by all of them. As for the decisions that are issued by the majority of votes, the opposing members are not considered responsible for them if they express their objection explicitly in the minutes of the meeting. The absence from attending the meeting in which the decision is issued will not exempt the absent member from liability unless it is proven that the absent member was not aware of the decision or was unable to object to it after becoming aware of it. The approval of the ordinary general assembly to absolve the members of the Board of Directors from liability does not preclude filing a liability case. The liability claim will not be heard after the lapse of (3) three years from the date of discovery of the harmful act with the exception of fraud and forgery lawsuits. The liability lawsuit will not be heard in all cases (5) five years following the date of the end of the financial year in which the harmful act occurred or (3) three years from the termination of the membership of the concerned board member, whichever is later. Each shareholder has the right to file a liability lawsuit specified for the company against the members of the Board of Directors if the mistake made by them would cause him a special harm. The shareholder is not entitled to file the aforementioned lawsuit unless the company's right to file it still exists. The shareholder must inform the company of his intention to file the lawsuit, while limiting his right to claim compensation for the special damage he sustained.

## **Chapter Ten**

### **Liquidation of the company**

#### **Article fifty: Expiration of the Company:**

The company, upon its expiration, enters into liquidation and it maintains the necessary legal capacity to the extent that is necessary for liquidation. The decision of voluntary liquidation is issued by the Capital Market Authority. The decision of liquidation must include the appointment of the liquidator, specifying his powers and fees, restrictions imposed on his powers and the period required for liquidation. The period of voluntary liquidation must not exceed (5) five years and it cannot be extended for more than that period except by a judicial order. The authority of the company's board of directors ends with its dissolution. Yet, they remain in charge of the company's management, and they are considered liquidators for others until the liquidator is appointed. The company's departments, during the liquidation period, maintain their competences and powers that do not conflict with the competencies of

the liquidator. During liquidation, preserving the right of the participants in the surplus of insurance operations and the reserves formed as stipulated in articles (44) and (45) of this Law must be considered.

## **Chapter eleven**

### **Final Provisions**

#### **Article fifty- one: The company's system**

The provisions of the Cooperative Insurance Companies Control Law and its executive regulations, the companies law and its Bylaws, and other relevant regulations, bylaws, and instructions related to all that is not mentioned in this main system are applied..

#### **Article fifty- two: Publication**

This system is deposited and published in accordance with the companies' law and its regulations.