



Company Bylaw

The company for Cooperative Insurance (AI-SAGR) A Saudi

Joint Stock Company

Published based on the decisions of the Extraordinary General Assembly held on 26/06/2024

Chapter 1: Establishment of the Company

Article 1: Establishment of the Company

The company is established in accordance with the provisions of the Cooperative Insurance Companies Control Law, the Companies Law issued by Royal Decree No. (M/132) dated 1/12/1443 H, its executive regulations, the Capital Market Law, its executive regulations, and the company's Articles of Association. It will be a Saudi joint-stock company among the shareholders as outlined below.

Article 2: Company Name

The company name is Al SAGR Cooperative Insurance Company, a Saudi joint-stock company.

Article 3: Company Objectives

The company aims to engage in cooperative insurance activities in the general insurance and health insurance branches, as well as protection and savings insurance. The company may undertake activities necessary to achieve its objectives and will operate in accordance with the Cooperative Insurance Companies Control Law, its executive regulations, the regulations issued by the Insurance Authority, and the laws and regulations in force in the Kingdom of Saudi Arabia, after obtaining the necessary licenses from the relevant authorities, if applicable.

Article 4: Participation and Ownership in Companies

The company may establish limited liability companies or single-shareholder joint-stock companies. It may also own shares and stakes in existing companies or merge with them. The company has the right to participate with others in establishing joint-stock or limited liability companies, provided that these companies engage in activities similar to its own, financial activities, or those that assist it in achieving its objectives. This is subject to compliance with the relevant regulations and instructions, and obtaining the approval of the Insurance Authority.

Article 5: Company's Headquarters

The company's headquarters shall be located in the city of Dammam, Saudi Arabia. The General Assembly may, by decision, transfer the headquarters to any other city within the Kingdom of Saudi Arabia with the approval of the Insurance Authority. The company may establish branches, offices, or agencies within or outside the Kingdom of Saudi Arabia, subject to the approval of the Insurance Authority.

Article 6: Duration of the Company

The duration of the company is ninety-nine (99) Gregorian years, starting from the date of its registration in the commercial register. The duration may be extended by a decision of the Extraordinary General Assembly issued at least one year before the expiration of this period.

Chapter 2:

Rules the Company Must Adhere to in Carrying Out Its Activities and Objectives

Article 7: Company Investments

The company shall invest the funds accumulated from policyholders and shareholders in accordance with the rules established by the Board of Directors and in a manner that does not conflict with the Cooperative Insurance Companies Control Law, its executive regulations, and the regulations and decisions issued by the Insurance Authority or any other relevant authority.

Chapter 3

Capital and shares

Article 8: Capital

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

Article 9: Subscription to Shares

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

Article 10: Shareholders Register

The Company's shares shall be traded in accordance with the provisions of the Capital Market Law and its executive regulations.

Article 11: Issuance of Shares

1. The company's shares shall be nominal, with a nominal value of ten (10) Riyals per share. Shares may not be issued for less than their nominal value but may be issued at a higher value. In this latter case, the difference in value shall be added to a separate item within shareholders' equity and may not be distributed as dividends to shareholders. Shares are not divisible in relation to the company. If a share is owned by multiple persons, they must choose one of them to act on their behalf in exercising the associated rights. These persons shall be jointly liable for obligations arising from the ownership of the share.
2. The company may, after obtaining the Insurance Authority's non-objection, buy and sell its shares in accordance with the Companies Law and the regulations issued by the Capital Market Authority.

Article 12: Trading of Shares

The company's shares shall be tradable after being listed in the Capital Market System (TADAWUL) and subject to the instructions issued by the Insurance Authority.

Article 13: Increase in Capital

1. The Extraordinary General Assembly may decide to increase the company's capital after obtaining the approval of the Insurance Authority and the Capital Market Authority, provided that the capital has been fully paid. Full payment of capital is not required if the unpaid portion relates to shares issued in exchange for the conversion of debt instruments or financing bonds into shares, and the conversion period has not yet expired.
2. The Extraordinary General Assembly may, in all cases, allocate newly issued shares during a capital increase or part of them to employees of the company and its subsidiaries or any of them. Shareholders may not exercise preemptive rights with respect to shares allocated to employees.

3. A shareholder who owns shares at the time of the General Assembly's decision to approve the capital increase shall have priority in subscribing to the new shares issued in exchange for cash contributions. Such shareholders will be notified of their priority, if any, by registered letter to their address in the shareholders' register or through modern technology regarding the capital increase decision, subscription terms, procedures, duration, and the start and end dates
4. The Extraordinary General Assembly may suspend the preemptive right of shareholders to subscribe to the capital increase in exchange for cash contributions or grant the preemptive right to non-shareholders in cases deemed beneficial to the company.
5. Shareholders have the right to sell or transfer their preemptive rights for monetary consideration or without consideration during the period from the date of the General Assembly's approval of the capital increase until the last day for subscribing to the new shares associated with these rights, in accordance with the regulations set by the Capital Market Authority.

Article 14: Reduction of Capital

1. The Extraordinary General Assembly may decide to reduce the capital if it exceeds the company's needs or if it has incurred losses, subject to the approval of the Insurance Authority and the Capital Market Authority. The paid-up capital of the insurance company after the capital reduction must not be less than three hundred million (300,000,000) Riyals. The reduction decision shall not be made until a special report prepared by the auditor is read, detailing the reasons for the reduction, the company's obligations, and the impact of the reduction on these obligations.
2. If the capital reduction results from an excess over the company's needs, creditors must be invited to express their objections, if any, within the period specified by the relevant regulations. If a creditor objects and submits their documents to the company within the specified time, the company must pay their debt if it is due or provide adequate security for its settlement if it is deferred.

Chapter 4: Board of Directors

Article 15: Management of the Company

The company shall be managed by a Board of Directors consisting of nine (9) members elected by the Ordinary General Assembly for a term not exceeding three years. The composition of the Board of Directors must include an appropriate representation of independent members. In all cases, the number of independent members must not be less than three members or one-third of the Board members, whichever is greater.

Article 16: Termination of Board Membership

1. Board membership terminates upon the end of the board's term, resignation, death, or absence from three consecutive meetings or five separate meetings during the term of membership without a valid and acceptable excuse. It may also terminate if the Board determines that a member has breached their duties in a manner harmful to the company, provided that this is approved by the Ordinary General Assembly, or upon the expiration of membership according to any applicable laws or regulations in the Kingdom of Saudi Arabia. Additionally, membership may end if the member is declared bankrupt or insolvent, submits a petition with creditors, ceases to pay debts, suffers from mental illness or physical disability that impairs their ability to fully perform their role, commits acts compromising integrity and ethics, or is convicted of forgery by a final judgment.
2. The Ordinary General Assembly may, at any time, dismiss all or some of the Board members. This does not affect the dismissed member's right to claim compensation from the company if the dismissal is for an unacceptable reason or at an inappropriate time. A Board member may resign, provided it is done at an appropriate time, otherwise, they may be held liable to the company for any resulting damages.
3. If a Board member resigns and has comments on the company's performance, they must submit a written statement to the Chairman of the Board, which should be presented to the other Board members.
4. The Insurance Authority must be notified of the resignation or termination of any Board member for reasons other than the end of the board's term within five (5) working days from the date of departure, and relevant disclosure requirements must be observed.

Article 17: Vacancy in the Board

In the event of a vacancy in the Board of Directors, the Board may temporarily appoint a member to the vacant position who possesses the necessary experience, after obtaining the Insurance Authority's non-objection and without regard to the voting order in the General Assembly that elected the Board. The Commercial Register, as well as the Capital Market Authority, must be notified within the period specified by relevant regulations. This appointment must be presented to the Ordinary General Assembly at its first meeting, and the new member will only serve the remainder of the term of their predecessor.

Article 18: Powers of the Board

1. Subject to the powers reserved for the General Assembly, the Board of Directors shall have the broadest authority in managing the company to achieve its objectives, except for those matters explicitly excluded by the Companies Law or this regulation, which fall under the General Assembly's jurisdiction. The Board is responsible for managing the company's affairs and dealing with its assets, properties, and real estate. However, the Board may not sell or mortgage the company's real estate without the approval of the Ordinary General Assembly.

The Board also has the authority, within its scope, to delegate one or more of its members or others to perform specific tasks, provided that this does not conflict with relevant laws and regulations.

2. The Board of Directors may secure loans of any duration or sell the company's assets up to fifty percent (50%) of the value of these assets based on the value of the first transaction conducted within the previous twelve (12) months, or mortgage them, sell the company's commercial premises or mortgage them, or release the company's debtors from their obligations, unless this regulation or a decision by the Ordinary General Assembly restricts the Board's authority in this regard.

Article 19: Compensation of Board Members and Special Compensation for the Chairman and Managing Director

1. The compensation for Board members may be a fixed amount, attendance fees for meetings, in-kind benefits, or a percentage of net profits, and it is permissible to combine two or more of these benefits.

2. If the compensation is a percentage of the company's profits, this percentage may not exceed ten percent (10%) of the net profits after deducting the reserves set by the General Assembly in accordance with the Cooperative Insurance Companies Control Law, the Companies Law, and this regulation, and after distributing a dividend to shareholders that is not less than five percent (5%) of the company's paid-up capital. The entitlement to this compensation should be proportional to the number of meetings attended by the member. Any assessment contrary to this is considered null and void.

3. in all cases, the total amount received by a Board member in terms of compensation and financial or in-kind benefits shall not exceed five hundred thousand riyals (500,000 SAR) annually. This does not apply to members of the Audit Committee, according to the regulations set by the Capital Market Authority.

4. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all compensation, expenses, and other benefits received by Board members during the financial year. It should also include a statement of what Board members received in their capacity as employees, managers, or for technical, administrative, or consulting work. Additionally, the report should detail the number of Board meetings and the number of meetings attended by each member since the last General Assembly meeting.

Article 20: Powers of the Chairman of the Board, Term of Office, Vice Chairman, Managing Director, and Secretary

The Board of Directors shall appoint from among its members a Chairman and a Vice Chairman, and shall appoint a Chief Executive Officer. A Managing Director may also be appointed. The Chairman of the Board cannot hold any executive position in the company.

The Chairman of the Board is authorized to sign on behalf of the company and to implement the Board's decisions. The Chairman, Managing Director, or Chief Executive Officer—jointly or separately—represents the company before the courts, arbitration bodies, and third parties. The Chairman, Managing Director, or Chief Executive Officer may, through a written decision, delegate some of their powers to other Board members or external parties to perform specific tasks.

The Board of Directors determines the salaries, allowances, and bonuses for the Chairman, Managing Director, and Chief Executive Officer in accordance with Article (19) of this regulation. The Board must appoint a Secretary for the Board. The Board may also appoint one or more consultants for various company matters and determine their compensation.

The term of office for the Chairman, Vice Chairman, Managing Director, and Secretary is limited to their term on the Board, though they may be re-elected. The Board may, at any time, remove them or any of them without prejudice to the right of the removed person to claim compensation if the removal is for an unjust reason or at an inappropriate time.

Among the powers of the Chairman of the Board:

1. Representing the company before others, signing on its behalf, and dealing with other companies in all government and non-governmental departments and various courts.
2. Establishing and founding companies after obtaining the Board of Directors' authorization and the General Assembly's approval, managing companies, amending appendices, the articles of incorporation, and foundation contracts, as well as liquidating and terminating companies. This includes signing, amending, adding, buying and selling shares concerning Al-Saqr Cooperative Insurance Company from other companies, purchasing real estate, properties, equipment, and movable assets in the company's name, provided that the company adheres to the legal form mentioned in Article 4 of the regulations related to participation and ownership in companies and related regulations.
3. Issuing, extracting, receiving commercial records, licenses, and all documents, endorsing and canceling them, entering into partnerships, approving or objecting to capital increases or reductions, and voting in foundation assemblies, partner meetings, and boards of directors.
4. Representing the company before courts and committees for settling disputes and insurance violations, including preliminary and appellate courts, the General Secretariat of dispute settlement committees, the Insurance Authority, and its various departments and branches, including legitimate, administrative, commercial, penal, and administrative courts, as well as the Administrative Court, the Court of Cassation, and judicial, labor, development, pension, investment, public and private institutions, and individual entities. This includes performing review, claims, defense, litigation, accusation, notification, setting up environment, settlements, conciliation, denial, arbitration, attending hearings, requesting oaths and their rejection, denial of lines, stamps, signatures, challenging and appealing, requesting appeals and reconsideration, enforcing decisions, and receiving and delivering papers, documents, judgments, decisions, and petitions.
5. Leasing and renting company assets, collecting rent, participating in tenders, and representing the company in all transactions. This includes signing documents with the Passport Department, issuing passports, travel permits, dealing with the Ministry of Labor and Recruitment, obtaining visas, residency permits, final exit, and re-entry permits, and handling traffic and police matters, including issuing and renewing all types of licenses, issuing investments, and renewing ownership of company vehicles.

It also includes handling all traffic-related matters for the company, subscribing to and renewing memberships with the Chamber of Commerce, adding signatures, and representing the company before the Insurance Authority, the General Investment Authority, the Capital Market Authority, the Ministry of Commerce and Investment, its branches, the Commercial Registry Administration, and all ministries, authorities, and notary public offices, handling and signing all transactions with them.

6. Opening investment accounts with banks, financial companies, and investment firms, and signing subscription, withdrawal, and transfer agreements from all investment funds, including money market funds and private companies. This includes opening investment portfolios, signing all related documents, managing them, and handling securities and other related procedures. This includes giving instructions to banks, financial companies, and investment firms to buy and sell stocks, authorizing banks, financial companies, and investment firms to manage the company's portfolios, buying and selling bonds and certificates, and signing all related documents. Opening current accounts with banks, financial companies, and investment firms, making withdrawals, deposits, and transfers, accepting and endorsing bills, bonds, and checks, and authorizing banks, financial companies, and investment firms to handle the sale or purchase of stocks, documents, foreign currency, or securities of any kind and any value.

The Chairman has the right to appoint anyone to handle these tasks or some of them and to dismiss those appointed. He may perform all actions deemed appropriate and necessary for the company's interest according to the law and regulations.

Article 21: Board Meetings

The Board meets at the invitation of its Chairman. The Chairman must call a meeting whenever any board member requests it in writing to discuss one or more topics. The invitation must be documented in the manner deemed appropriate by the Board. Board meetings are held regularly and whenever necessary, and they may be conducted using modern technological means. However, there must be at least four meetings per year, with at least one meeting every three months.

Article 22: Quorum for Board Meetings

1. A board meeting shall only be valid if attended by at least half of the members in person or by proxy, provided that the number of attendees is not less than five. If a board member appoints another member as a proxy for attending board meetings, the proxy must comply with the following conditions:
 - A. A board member may not appoint more than one proxy for the same meeting.
 - B. The proxy must be confirmed in writing and sent by email or other modern technological means.
 - C. The proxy is not allowed to vote on decisions for which the system prohibits the appointing member from voting.
2. If the necessary conditions for the board meeting are not met due to the number of its members being below the minimum stipulated in this system, the remaining members must call for an ordinary general assembly meeting within sixty days to elect the required number of members.
3. The Capital Market Authority may, by decision, call for the ordinary general assembly to convene in the event that the number of board members falls below the minimum required for a valid meeting.
4. A board member may not appoint another person to attend the meeting on their behalf. However, an exception is made whereby a board member may appoint another board member as their proxy.
5. Board decisions are made by a majority of the members present in person or by proxy. In the case of a tie, the side favored by the chairperson of the meeting prevails.
6. The board may make urgent decisions by circulating them among members unless a written request is made by a member for a board meeting to discuss the matter. Such decisions are made by the majority of the board members and are presented to the board at its next meeting.
7. The board's decisions are effective from the date of issuance unless stated otherwise or specific conditions are met.

Article 23: Board Deliberations

1. The deliberations and decisions of the board are recorded in minutes prepared by the board secretary, signed by the chairperson of the meeting, the attending board members, and the secretary. These minutes are recorded in a special register, signed by the chairman of the board and the secretary. Modern technological means may be used for signing, recording deliberations, decisions, and drafting minutes.

Article 24: Agreements and Contracts

1. The company, after obtaining the insurance authority's consent, may enter into an agreement to manage technical services with one or more qualified companies in the insurance field.
2. A board member shall not have any direct or indirect interest in the company's business or contracts except with the approval of the ordinary general assembly. A board member must notify the board of any direct or indirect interest they have in the company's business or contracts, and this notification should be recorded in the meeting minutes.
3. Such a board member is not allowed to participate in voting on the decision related to this matter in the board of directors or shareholders' meetings.
4. The chairman of the board must inform the ordinary general assembly of any business or contracts in which a board member has a direct or indirect interest, and this notification must be accompanied by a special report from the company's external auditor.
5. If a board member fails to disclose their interest, the company or any interested party may request, before the competent judicial authority, the annulment of the contract or obligate the member to return any profit or benefit obtained from it.
6. The responsibility for damages resulting from the business and contracts mentioned in paragraph 1 of this article lies with the interested board member and also with the board members if these actions or contracts were carried out in violation of the provisions of this paragraph or if it is proven that they were unfair or involved a conflict of interest, causing harm to the shareholders.

7. Board members who oppose a decision are exempt from liability if they explicitly express their objection in the meeting minutes. Absence from the meeting where the decision is made does not exempt a member from liability unless it is proven that the absent member was unaware of the decision or could not object to it after becoming aware.

8. A board member is not allowed to participate in any activity that competes with the company or to compete with the company in any of its business areas. Otherwise, the company may seek appropriate compensation from the member before the competent judicial authority unless the member has obtained prior authorization from the ordinary general assembly, renewed annually, allowing them to engage in such activities.

Chapter 5: Shareholders' Meetings

Article 25: Attendance at Meetings

1. The properly constituted general assembly represents all shareholders and is held in the city where the company's headquarters is located.
2. Every shareholder, regardless of the number of shares, has the right to attend the general assembly meetings and may appoint another person, who is not a board member or an employee of the company, to attend the meeting on their behalf. General assembly meetings may be held, and shareholders may participate in deliberations and vote on decisions via modern technological means in accordance with the regulations set by the Capital Market Authority.

Article 26: Powers of the Ordinary General Assembly

Except for matters specifically assigned to the extraordinary general assembly, the ordinary general assembly is responsible for all company-related matters. It must convene at least once a year within six months following the end of the company's financial year. Additional ordinary general assemblies may be called as needed.

Article 27: Powers of the Extraordinary General Assembly

The extraordinary general assembly is responsible for amending the company's articles of association, except for provisions that are legally prohibited from being amended. It may also issue decisions on matters within the competence of the ordinary general assembly, subject to the same conditions and procedures applicable to the ordinary general assembly.

Article 28: Calling General Meetings

1. General or special meetings of shareholders are convened by the board of directors. The board must call the ordinary general assembly to meet within thirty (30) days from the date of a request by the external auditor, the audit committee, or shareholders representing at least ten percent (10%) of the company's voting shares. The external auditor may call the meeting if the board does not do so within thirty (30) days from the date of the request.
2. The Capital Market Authority may, by decision, call for the ordinary general assembly to convene in the following cases
 - A. If the time limit for convening (within the six months following the end of the company's financial year) has expired without the meeting being held.
 - B. If the number of board members falls below the minimum required for a valid meeting.
 - C. If there are violations of the provisions of the system or the company's articles of association, or if there is a failure in the company's management.
 - D. If the board fails to call the general assembly within fifteen (15) days from the date of the request by the external auditor, audit committee, or shareholders representing at least ten percent (10%) of the company's voting shares.
3. Shareholders representing at least two percent (2%) of the capital may submit a request to the Capital Market Authority to call the ordinary general assembly if any of the conditions specified in paragraph (2) of this article apply. The Capital Market Authority must issue a call for the meeting within thirty (30) days from the date of the shareholders' request, including an agenda of the meeting and the items requiring shareholder approval.
4. This invitation and the agenda must be published in a daily newspaper distributed in the area where the company's headquarters is located, using modern technological means, at least twenty-one (21) days before the scheduled meeting date in accordance with the regulations and rules governing the assembly. A copy of the invitation and agenda must also be sent to the Ministry of Commerce and Investment and the Commercial Registry, as well as to the Capital Market Authority within the publication period. However, it is permissible to send the invitation to all shareholders by registered mail within the specified time, and a copy of the invitation and agenda must be sent to the Capital Market Authority within the publication period.

Article 29 / Attendance Record of General Meetings

Shareholders who wish to attend the General Assembly, whether ordinary or extraordinary, must register their names at the company's main office before the scheduled time for the meeting.

Article 30 / Quorum for Ordinary General Assembly Meetings

1. An Ordinary General Assembly meeting is valid only if shareholders representing at least one-quarter ($\frac{1}{4}$) of the company's voting shares are present.
2. If the required quorum for an Ordinary General Assembly meeting as per paragraph (1) of this article is not met, a second meeting will be called within the time frame specified by the relevant regulations. This invitation shall be published in the manner outlined in Article (30) of this system. However, the second meeting may be held one hour after the expiration of the time frame for the first meeting, provided that the invitation to the first meeting included a notice about the possibility of holding this meeting. In all cases, the second meeting shall be valid regardless of the number of voting shares represented.

Article 31 / Quorum for Extraordinary General Assembly Meetings

1. An Extraordinary General Assembly meeting is valid only if shareholders representing at least one-half ($\frac{1}{2}$) of the company's voting shares are present.
2. If the required quorum for an Extraordinary General Assembly meeting as per paragraph (1) of this article is not met, a second meeting will be called under the same conditions outlined in Article (30) of this system. The second meeting may be held one hour after the expiration of the time frame for the first meeting, provided that the invitation to the first meeting included a notice about the possibility of holding this meeting. In all cases, the second meeting shall be valid if attended by shareholders representing at least one-quarter ($\frac{1}{4}$) of the company's voting shares.

3. If the required quorum is not met in the second meeting, a third meeting will be called under the same conditions outlined in Article (30) of this system, and the third meeting shall be valid regardless of the number of voting shares represented, after approval from the Capital Market Authority.

Article 32 / voting at Meetings

Votes at the Founding Assembly and General Meetings (both ordinary and extraordinary) are counted on a one-vote-per-share basis. Cumulative voting must be used in the election of the Board of Directors, and no shareholder may use their voting right more than once per share. Members of the Board of Directors are not allowed to participate in voting on resolutions related to their own discharge from liability for managing the company or those related to transactions and contracts in which they have a direct or indirect interest, or which involve a conflict of interest.

Article 33 / Resolutions of the General Assemblies

Decisions at the Ordinary General Assembly are made by a majority of the voting rights represented at the meeting. However, if these decisions involve evaluating specific benefits, the approval of a majority of the shareholders representing two-thirds (2/3) of the voting shares is required, excluding the shares held by those benefiting from the special benefits. Resolutions at the Extraordinary General Assembly are passed by a majority of two-thirds (2/3) of the voting shares represented at the meeting, unless the resolution pertains to increasing or decreasing the capital, extending the company's duration, dissolving the company before the term specified in the Articles of Association, merging with another company or institution, or splitting into two companies. In these cases, the resolution is only valid if passed by the approval of three-quarters (3/4) of the voting shares represented at the meeting.

Article 34 / Discussion at Meetings

Each shareholder has the right to discuss the items on the agenda of the meeting and to direct questions about them to the Board of Directors and the auditors. Any provision in this system that denies this right to shareholders is null and void. The Board of Directors or the auditors will answer shareholders' questions to the extent that it does not harm the company's interests. If a shareholder finds the response unsatisfactory, they may appeal to the assembly, and the assembly's decision on this matter is final.

Article 35 / Chairing Meetings and Preparing Minutes

1. The General Assembly is chaired by the Chairman of the Board of Directors or, in their absence, by their deputy, or by another member of the Board appointed by the Board in the absence of both the Chairman and the Deputy Chairman.
2. Minutes of the General Assembly meeting must be recorded, including the number of shareholders present or represented, the number of shares they hold either in person or by proxy, the number of votes allocated to them, the decisions made, the number of votes for and against, or a comprehensive summary of the discussion held during the meeting. The minutes must be regularly recorded after each meeting in a special register and signed by the Chairman of the Assembly, the Secretary, and the vote counters.

Chapter 6 Committees Emerging from the Board of Directors

Article 36 / Board Committees

The Board of Directors will form committees in accordance with the relevant regulations and rules.

Chapter 7 Auditors

Article 37 / Appointment of Auditors

1. The General Assembly must appoint two auditors or more from those licensed to work in the Kingdom, determine their remuneration and the duration of their appointment. The Assembly may reappoint them, provided that the total duration of their appointment does not exceed five consecutive or non-consecutive years. An auditor who has completed this period may be reappointed after at least three consecutive years have elapsed from the end of the last financial year in which they audited the company's accounts.

2. The General Assembly may, by resolution, remove the auditor. The Chairman of the Board of Directors must notify the relevant authorities of the removal decision and its reasons within five (5) days from the date of the decision.

3. The auditor may resign from their duties by providing written notice to the company, with their resignation effective from the date of the notice or a later date specified in the notice. This does not affect the company's right to claim damages if applicable. The resigning auditor must provide the company and the relevant authority with a statement of the reasons for their resignation. The Chairman of the Board of Directors must call a General Assembly meeting to review the reasons for the resignation, appoint a new auditor, and determine their remuneration, duration of service, and scope of work.

Article 38 / Auditor's Powers

The auditor has the right, at any time, to review the company's books, accounting records, and supporting documents. They may request any necessary data and clarifications and verify the company's assets and liabilities, as well as other matters within their scope of work. The Chairman of the Board of Directors must facilitate the auditor's duties. If the auditor encounters difficulties in this regard, they should document this in a report to the Board of Directors. If the Board of Directors does not facilitate the auditor's work, the auditor must request that the Board of Directors call an Ordinary General Assembly to address the matter. The auditor may issue this call if the Board of Directors does not do so within thirty (30) days from the auditor's request.

Article 39 / Auditor's Obligations

The auditor must submit an annual report to the General Assembly, prepared in accordance with recognized auditing standards. This report should detail the management's position regarding providing the requested data and clarifications, any violations of the Cooperative Insurance Companies Control Law, its executive regulations, other relevant regulations and instructions, and the company's Articles of Association. The auditor should also express their opinion on the fairness of the company's financial statements. The auditor will present their report at the General Assembly.

If the assembly decides to approve the Board of Directors' report and the financial statements without hearing the auditor's report, the decision is invalid.

Chapter 8

Company Accounts and Profit Distribution

Article 40 / Financial Year

The Company's fiscal year starts on January 1st and ends on December 31st of the same year. The first fiscal year starts from the date of the ministerial decision announcing the company's establishment and ends on December 31st of the following year.

Article 41 / Financial Documents

1. At the end of each fiscal year, the Board of Directors must prepare the financial statements. These statements include the following:
 - Balance Sheet for insurance operations and shareholders.
 - Statement of surplus (or deficit) from insurance operations.
 - Income Statement for shareholders.
 - Statement of Shareholders' Equity.
 - Statement of Cash Flows for insurance operations and for shareholders.
 - A report on the company's activities and financial position for the past fiscal year, which includes a proposed method for profit distribution. The Board must make these documents available to the auditor at least forty-five (45) days before the date of the General Assembly meeting.
2. The Chairman of the Board of Directors, the Chief Executive Officer, and the Financial Manager must sign the documents mentioned in paragraph (1). Copies of these documents must be deposited at the company's main office for the shareholders' access.
3. The Chairman of the Board of Directors must provide the shareholders with the financial statements, the Board of Directors' report, and the auditor's report after they are signed, unless they are published through modern technology. This must be done before the date of the General Assembly according to the timeframe specified by the relevant regulations and rules. The Chairman must also deposit these documents in accordance with the relevant regulations and rules.

Article 42 / Insurance Operations Accounts

The accounts for insurance operations are separate from the Shareholders' Income Statement, as detailed below:

First: Insurance Operations Accounts

1. A separate account is designated for earned premiums, reinsurance commissions, and other commissions.
2. A separate account is designated for claims incurred by the company.
3. At the end of each year, the gross surplus is determined, representing the difference between the total premiums and claims, minus marketing, administrative, operational expenses, and necessary technical provisions according to the applicable regulations.
4. The net surplus is determined as follows:
 - o The gross surplus mentioned in paragraph (3) above is adjusted by adding or subtracting the investment returns attributable to policyholders, after accounting for their returns and deducting their actual expenses.
5. The net surplus is distributed by either:
 - o Directly distributing ten percent (10%) to policyholders, or reducing their premiums for the following year, with ninety percent (90%) transferred to the shareholders' income accounts.

Second: Shareholders' Income Statement

1. Shareholders' profits from investment returns are based on the rules set by the Board of Directors.
2. Shareholders' share of the net surplus is determined as mentioned in paragraph five of the first section of this article.

Article 43 / Zakat and Reserves

The company must:

1. Allocate zakat and income tax as required by law.
2. Allocate twenty percent (20%) of the net profits to form a statutory reserve. The Ordinary General Assembly may suspend this allocation once the total reserve reaches one hundred percent (100%) of the paid-up capital.
3. The Ordinary General Assembly, when determining the share of profits for shareholders, may decide to form additional reserves to benefit the company or ensure as much fixed profit distribution as possible to shareholders.
4. The company's annual net profits, determined after deducting all general expenses and other costs, forming necessary reserves to address doubtful debts, investment losses, and contingent liabilities deemed necessary by the Board of Directors, and in accordance with the Cooperative Insurance Companies Control Law and the regulations issued by the Saudi Central Bank and the Insurance Authority, should allocate at least five percent (5%) of the paid-up capital to be distributed to shareholders as proposed by the Board of Directors and decided by the General Assembly. If the remaining profits after the mandatory reserves and zakat do not suffice to pay this percentage, shareholders cannot claim it in subsequent years, and the General Assembly cannot decide to distribute a higher percentage of profits than proposed by the Board of Directors.

5. The company, after obtaining the Saudi Central Bank's (SAMA) non-objection, may distribute interim profits to its shareholders on a semi-annual or quarterly basis in accordance with the regulations issued by the Capital Market Authority. This is based on an authorization issued by the General Assembly to the Board of Directors for the distribution of interim profits, which is renewed annually.

Article 44 - Entitlement to Profits

Shareholders are entitled to their share of profits according to the decision of the General Assembly issued in this regard. The decision specifies the entitlement date and the distribution date. Profit entitlement is granted to shareholders who are registered in the shareholders' records at the end of the entitlement date. The company must promptly notify the Capital Market Authority of any decisions or recommendations regarding profit distribution and pay the profits determined for distribution to shareholders at the locations and times specified by the Board of Directors, in accordance with the instructions issued by the competent authority, with due regard to obtaining prior written approval from the Saudi Central Bank.

Article 45 - Company Losses

If the company's losses reach half of the paid-up capital at any time during the financial year, any responsible person or auditor must immediately notify the Chairman of the Board upon becoming aware of this. The Chairman must inform the Board members, and the Board of Directors, within fifteen (15) days of becoming aware, must call for an Extraordinary General Assembly meeting within forty-five (45) days from the date of knowledge of the losses to decide whether to increase or reduce the company's capital in accordance with the provisions of the Companies Law to reduce the loss ratio to below half of the paid-up capital, or to dissolve the company before the end of its specified term. The decision of the assembly must be published on the Ministry of Commerce and Investment's website in all cases. The company is considered dissolved by law if the Extraordinary General Assembly does not meet within the specified period, or if it meets and fails to issue a decision on the matter, or if it decides to increase the capital according to the provisions of this article and the increase is not fully subscribed within ninety (90) days of the assembly's decision to increase.

If the company's losses reach half of the issued capital, the company must immediately notify the Insurance Authority. The Board of Directors must disclose this and any recommendations regarding these losses within sixty (60) days of becoming aware of them. They must also call for an Extraordinary General Assembly meeting within one hundred eighty (180) days of becoming aware of the losses and obtaining the Insurance Authority's non-objection to consider the continuation of the company and take any necessary measures to address the losses or dissolve the company.

Chapter 9 - Disputes

Article 46 - Responsibility of the Company

The company is bound by all actions and decisions made by the Board of Directors, even if they are beyond its authority, unless the interested party is acting in bad faith or is aware that these actions are outside the Board's authority.

Article 47 - Responsibility of Board Members

1. Board members are jointly responsible for compensating the company, shareholders, or third parties for damage resulting from mismanagement of the company's affairs or violations of the Cooperative Insurance Companies Control Law, its executive regulations, related laws, regulations, instructions, and this system. Any provision to the contrary is considered null and void. All Board members are liable if the error results from a decision made unanimously. Decisions made by a majority of votes do not hold the dissenting members liable, provided they have explicitly recorded their objection in the meeting minutes. Absence from the meeting where the decision is made does not exempt a member from liability unless it is proven that the absent member was unaware of the decision or could not object to it upon becoming aware.

2. Approval by the Ordinary General Assembly of the Board members' discharge does not prevent filing a liability claim.
3. Liability claims cannot be heard after three (3) years from the date of discovering the harmful act. Except in cases of fraud and forgery, liability claims are not admissible after five (5) years from the end of the financial year in which the harmful act occurred or three (3) years from the end of the concerned Board member's term, whichever is later.
4. Any shareholder has the right to file a liability claim on behalf of the company against the Board members if the error they committed has caused specific harm to the shareholder. A shareholder can only file such a claim if the company's right to file it is still valid. The shareholder must notify the company of their intention to file the claim, limiting their right to seek compensation for the specific harm they have suffered.
5. The company may be burdened with the costs incurred by the shareholder in filing the claim, regardless of the outcome, under the following conditions:
 - A. If the shareholder filed the claim in good faith.
 - B. If the shareholder presented the company with the reason for filing the claim and did not receive a response within thirty days.
 - C. If it is in the company's interest to file the claim according to Article 79 of the Companies Law.
 - D. If the claim is based on a valid foundation.

Article 48 - Dissolution of the Company

1. Upon dissolution, the company enters the liquidation phase and retains the legal personality necessary for the liquidation process.
2. The decision for voluntary liquidation is made by the partners or the General Assembly.

3. The liquidation decision must include the appointment of the liquidator, defining their powers, remuneration, restrictions on their powers, and the time required for the liquidation. The period for voluntary liquidation must not exceed three (3) years and may only be extended beyond this period by court order.
4. The authority of the company's Board of Directors ends upon its dissolution. However, the Board members remain responsible for managing the company and are considered, in relation to third parties, as liquidators until the liquidator is appointed. During the liquidation period, the company's departments retain their competencies that do not conflict with those of the liquidator. The liquidation must ensure the preservation of the rights of participants in surplus insurance operations and reserves as stipulated in Articles 42 and 43 of this system.

Article 49 - Company Regulations

The provisions of the Cooperative Insurance Companies Control Law, its executive regulations, the Companies Law, and its bylaws, as well as other related laws, regulations, and instructions, apply to everything not mentioned in these Articles of Association.

Article 50 - Publication

This system is to be deposited and published in accordance with the Companies Law and its regulations.