

**Articles of Association for United Cooperative Assurance Company  
Saudi Joint Stock Company**

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## Chapter 1

### Incorporation of the Company

#### Article 1: Incorporation

This Company shall be established in accordance with the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations, the Companies' Law, the Capital Market Law and its implementing regulations, and the Company's Articles of Association, as a Saudi joint stock Company among the shareholders. The Company's provisions shall be as follows:

#### Article 2: Company Name:

United Cooperative Assurance Company, Saudi Joint Stock Company

#### Article 3: The Company's Purposes:

Carrying out cooperative insurance business in the general insurance branch, and health insurance. The Company may conduct its activities in accordance with the Cooperative Insurance Companies Control Law and its implementing regulations, the provisions issued by SAMA 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 4: Participation and Ownership in Companies:

The Company may establish limited liability companies or sole proprietorship companies. It may also own shares and stocks in other existing companies or merge with them and has the right to participate with others in establishing joint stock companies or Limited liability companies - provided that the companies established by the Company or in which it participates or merges with it shall be engaged in activities similar to its business or financial business or that help it achieve its purpose - after fulfilling the requirements of the regulations and instructions followed in this regard, after obtaining the approval of Saudi central bank

#### Article 5: Head Office of the Company

The head office of the Company shall be in Riyadh in the Kingdom of Saudi Arabia. It is permissible, by a Resolution of the Extraordinary General Assembly, to transfer its head office to any other city in the Kingdom of Saudi Arabia with the approval of the Saudi central bank. The Company may establish branches, offices, or agencies inside or outside the Kingdom of Saudi Arabia after the approval of the Saudi Central bank.

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## **Article 6: Duration of the Company:**

The duration of the Company shall be (99) ninety-nine Gregorian years starting from the date of its registration in the Commercial Register. The term of the Company may be prolonged by a Resolution issued by the Extraordinary General Assembly at least one year before the end of this period.

## **Chapter 2**

### **The rules that the Company shall adhere to in carrying out its activities and purposes:**

## **Article 7: Company Investments:**

The Company shall invest what it has from the insured and shareholders' funds in the Company in accordance with the rules established by the Board of Directors and in a manner that does not conflict with the Cooperative Insurance Companies Control Law and its implementing regulations and other relevant regulations and instructions issued by the Saudi central bank or any other related party.

## **Chapter 3**

### **Capital and Shares:**

## **Article 8: Capital:**

The capital of the Company is (400,000,000) four million SAR, divided into (40,000,000) forty million shares of equal value with a nominal value of (10) ten Saudi riyals per share, all of which are ordinary cash shares.

## **Article 9: Subscription to Shares:**

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

## **Article 10: Register of Shareholders:**

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

## **Article 11: Issuance of Shares:**

The shares of the Company are nominal, and they may not be issued at less than their nominal value, but they may be issued at a higher value. In this last case the difference in value shall be added in a separate item within the shareholders' equity. It is not permissible to distribute it as dividends to shareholders, and the share is indivisible towards the Company. If the share is

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owned by multiple persons, they shall choose one of them to act on their behalf in the use of the rights related to it, and these persons shall be jointly responsible for the obligations arising from the ownership of the share.

### **Article 12: Shares Trading:**

- Shares subscribed by the founders may not be traded except after publishing the financial statements for two fiscal years, each of which is not less than (12) twelve months from the date of incorporation of the Company, after obtaining Saudi central bank approval. The bonds of these shares shall be endorsed indicating their type, the date of incorporation of the Company and the period during which they are prohibited from being traded.
- It is permissible during the prohibition period to transfer the ownership of shares 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 others or in the case of seizure of the funds of the insolvent or bankrupt founder, provided that the priority of owning those shares is given to the other founders.
- The provisions of this article shall apply to what the founders subscribe to in the event of an increase in the capital prior to the expiry of the prohibition period.

### **Article 13: Capital Increase:**

- The Extraordinary General Assembly may decide to increase the capital of the Company - after the approval of Saudi Central bank and Capital Market Authority provided that the Capital shall be paid in full, provided that the original capital shall have been paid in full unless the unpaid portion relates to convertible debt instruments or sukuk that have not matured.
- In all cases, the Extraordinary General Assembly may allocate all the shares issued as a result of a capital increase or part thereof to the Company and/or subsidiaries' employees. The shareholder may not exercise his pre-emptive rights on shares allocated to employees.
- The shareholder who owns the share - at the time of the Extraordinary General Assembly issuing the approval of the capital increase - has pre-emptive right in subscribing for new shares issued in exchange for cash shares, and they inform them of their pre-emptive right by publishing in the daily newspaper or by informing them via registered mail of the resolution of capital increase, the terms and conditions of subscription, and its start and end date.
- The Extraordinary General Assembly may suspend the shareholder's pre-emptive rights in a cash capital increase or grant them to others if it considers it in the Company's best interest.

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- A shareholder may sell or assign its pre-emptive rights during the period from the date of the General Assembly Resolution approving the capital increase until the subscription closing date, in accordance with the guidelines set by the competent authority.

#### **Article 14: Capital Reduction:**

- The Extraordinary General Assembly may decide to reduce the capital if it exceeds the Company's need or if it suffers losses - after the approval of the Saudi Central Bank and Capital market authority - provided that the paid-up capital of the insurance company after reducing the capital is not less than (100) one hundred million riyals, and the paid capital is not less than (200) two hundred million riyals for a reinsurance company or an insurance company that carries out at the same time reinsurance business. The reduction Resolution shall not be issued except after reading a special report prepared by the auditor on the reasons that necessitate it, the obligations of the Company, and the impact of the reduction on these obligations.
- If the reason for the capital reduction is that the capital is in excess of the Company's needs, the Company's creditors must be invited to express their objection to such a reduction within sixty days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the region where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents within the time limit set above; then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### **Chapter 4**

#### **Board of Directors:**

#### **Article 15: Company Management:**

The Company shall be managed by a Board consisting of (7) seven members elected by the Ordinary General Assembly for a period not exceeding three years. The composition of the Board of Directors shall reflect adequate representation from the independent members. In all cases, the number of independent members of the Board shall not be less than two members or one third of the members of the Board, whichever is greater. As an exception to this, the Constituent Assembly shall appoint the members of the first Board of Directors for a period not exceeding (3) three years starting from the date on which the Ministry of Commerce announced the Resolution to establish the Company.

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## **Article 16: Termination of Board Membership:**

- Membership of the Board of Directors shall end with the end 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 way that harms 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 according to any law or instructions in force in the Kingdom of Saudi Arabia, or if there is a judgment declaring his bankruptcy or insolvency, filing a request for settlement with his creditors, ceasing to pay his debts, becoming unconscious, afflicted with a mental illness, or if it is proven that he has committed an act of dishonesty and misconduct, or was convicted of forgery.
- Nevertheless, the Ordinary General Assembly may at all times 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. A Director may resign, provided that such resignation is made at a proper time; otherwise, he shall be responsible to the Company for damages resulting from such resignation.
- If a member of the Board of Directors resigns and he has comments on the company's performance, he must submit a written statement to the Chairman of the Board of Directors and this statement must be presented to the members of the Board of Directors
- Saudi central bank must be informed of the resignation of any member of the Board or the termination of his membership for any reason upon the end of the Board session, within five working days from the date of leaving the job, taking into account the relevant disclosure requirements.

## **Article 17: Board Vacancies:**

In the event that the position of one of the members of the Board of Directors becomes vacant, the Board had the right to appoint - temporarily - a member for the vacant position who had sufficient experience and after obtaining the non-objection of the Saudi central bank and without considering obtaining votes in the General Assembly in which the Board of Directors was elected during that period. The ministry of commerce shall be notified of that within five (5) five business days from the date of the appointment, and this appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member completes the term of his predecessor only.

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## **Article 18: Powers of the Board:**

Subject to the competencies established for the General Assembly, the Board of Directors shall have the broadest powers in managing the Company to achieve its purpose, with the exception of what is excluded by a special law in the Companies Law or this Regulation including actions that fall within the competence of the General Assembly. The Board of Directors may, for example, but not be limited to, represent the company in its relations with third parties, governmental and private agencies, before all Sharia courts, the Board of Grievances, labor and workers offices, the higher and primary committees for settling labor disputes, the Commercial Papers Committee, all other judicial committees, arbitration bodies, civil rights, police departments, chambers of commerce and industry, and all Companies, institutions, banks, commercial banks, treasuries, all government finance funds and institutions with their various names and specializations, and other lenders. The Board has the right to acknowledge, demand, defend, plead, litigate, waive, conciliate, accept and deny judgments, arbitration, request execution of judgments and object to them, collect outputs from execution, release the company's debtors from their obligations, apply for tenders, sell, buy and mortgage real estate. The Board also has the right to contract and sign in the name of and on behalf of the company on all types of contracts, documents and papers, including without limitation the contracts of association 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 instruments for the sale and buying of real estate, issuing legal PoAs on behalf of the company, selling, buying, transferring and accepting it, receiving and delivering, renting, leasing, receiving and paying, opening accounts, credits and withdrawal, depositing with banks, issuing guarantees to banks, funds, and government financing institutions, signing all papers, promissory notes, checks, all commercial papers and documents, and all banking transactions. The Board is also entitled, within the limits of its competence, to 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 board of directors may apply for loans, regardless of their term, sell or mortgage the company's assets, sell or mortgage the company's commercial premises, or release the company's debtors from their obligations, unless this regulation or a decision issued by the ordinary general assembly restricts the powers of the board of directors in that.

## **Article 19: Remuneration for Board Members:**

1. The minimum annual remuneration for the Chairman and members of the Board of Directors shall be a specified sum or attendance allowance or in kind benefits or a percent from net profits. The member may hold two or more of these advantages
2. In the event that the Company achieves profits, a percentage equivalent to (10%) of the remaining net profit may be distributed after deducting the reserves decided by the General Assembly in implementation of the provisions of the Cooperative Insurance Companies Control Law and after distributing a profit to the shareholders of not less

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than (5%) of the Company's paid-up capital provided that the entitlement to this bonus is proportional to the number of sessions that the member attends, and any estimate to the contrary shall be void.

3. In all cases, the total remuneration and financial or in-kind benefits and rewards that a member of the Board of Directors gets shall not exceed an amount of (500,000 riyals) five hundred thousand riyals annually (Audit Committee Member are excluded) in accordance with rules of Capital Market Authority
4. The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by the Directors during the fiscal year in the way of emoluments, expense allowances, and other benefits as well as of all the amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration for technical, administrative or advisory services. The report shall also include a statement of the number of Board meetings and the number of meetings attended by every member as of the date of last General Assembly.

## **Article 20: Powers of the Chairman, Vice Chairman, Managing Director, and Board Secretary**

The Board of Directors shall appoint from among its members a Chairman, Vice Chairman and an Executive Managing Director and may appoint an Executive Chairman, and it is not permissible to combine the position of Chairman of the Board of Directors with any executive position in the Company. The Chairman of the Board of Directors and the Executive Managing Director have the right to sign on behalf of the Company and implement the Board's Resolutions. The chairman of the Board of Directors is authorized to represent the Company before the courts, arbitration tribunals and others, and they may, by written Resolution, delegate some of their powers to other members of the Board or for third parties in carrying out specific work or actions. The Board of Directors shall determine the salaries, allowances and remunerations for each of the Chairman and Managing Director in accordance with the provisions of Article (19) herein. The Board of Directors shall appoint a Board secretary. The Board may also appoint one or more advisors in the various affairs of the Company, and the Board shall determine their remuneration. The term of the Board chairman, his Vice, the Managing Director, and the Secretary of the Board member shall not exceed the term of each of them in the Board, and they may be re-elected. The Board at any time may dismiss them or any of them without prejudice to the right of the dismissed person to compensation if the dismissal occurred for an unlawful reason or at an unexpected time.

## **Article 21: Board Meetings:**

The Board shall meet at the head office of the Company at the invitation of its Chairman, and the chairman of the Board shall call for the meeting whenever two of the members so request, and the call shall be documented in the way the Board sees. The Board may convene outside the Company's headquarters. The Board meetings shall be 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

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three months.

### **Article 22: Quorum for Board Meeting:**

1. A Board meeting is not valid unless is attended by (two-thirds) of the members by themselves or by proxy, provided that the number of members present personally shall be 3 (three) at least
2. If the necessary conditions for the meeting of the Board of Directors are not met due to the lack of its members below the minimum stipulated in this bylaw, 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 from 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 falls below the minimum for the validity of its convening.
4. A member of the Board of Directors may not delegate someone else to attend the meeting. As an exception to this, a member of the Board of Directors may delegate other members on his behalf.
5. The decisions of the Board are issued by a majority of the opinions of the members present or represented therein, and in case of a tie, the Chairman vote shall prevail.
6. The Board of Directors may issue decisions in urgent matters by presenting them to the members separately, unless one of the members requests in writing - the meeting of the Board to deliberate thereon. These decisions are presented to the Board at its first following meeting

### **Article 23: Board Deliberations:**

The Board's deliberations and Resolutions shall be recorded in minutes signed by the session chairman, the attending Board members, and the secretary. These minutes shall be recorded in a special register signed by the Chairman and the Secretary.

### **Article 24: Agreements and Contracts:**

- The Company has the right - after obtaining the Saudi central bank non-objection - to enter into an agreement to manage technical services with one or more companies qualified in the field of insurance.
- Board members may not have any direct or indirect interest in contracts and agreement concluded for the interest of the company except under permission from the General Ordinary Assembly. A member of the Board of Directors shall inform the Board of his or indirect interest in the business and contracts that are made for the Company's account and this notification shall be recorded in the minutes of the meeting.
- This member may not participate in voting on the Resolution to be issued in this regard by the Board of Directors and the shareholders' assemblies.

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- The chairman of the Board of Directors shall inform the Ordinary General Assembly when it is convened about the business and contracts in which one of the Board members has a direct or indirect interest in it, and the notification shall be accompanied by a special report from the Company's External Auditor.
- If a member of the Board fails to disclose his interest, the Company or any interested party may claim before the competent judicial authority to annul the contract or oblige the member to pay any profit or benefit achieved for him from that.
- The member who is interested in the work or the contract shall bear the responsibility for the damages resulting from the business and contracts referred to in paragraph 1 of this article, and the members of the board of directors shall also be responsible for that if the actions were done in violation of the provisions of this paragraph or if it was proven to be unfair or involve a conflict of interest and harm the shareholders
- The members of the board of directors who oppose the resolution are exempted from liability if they express their objection in the minutes of the meeting. Absence from attending the meeting at which the decision is issued is not a reason for exemption from responsibility 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.
- A member of the Board of Directors may not participate in any business that would compete with the company, or compete with the company in one of the branches of the activity that he is engaged in; Otherwise, the company shall have the right to demand the appropriate compensation from him before the competent judicial authority, unless he obtained a previous license from the Ordinary General Assembly - renewed every year - allowing him to do so.

## Chapter 5

### Shareholders' Assemblies

#### Article 25: Attending Assemblies:

1. A properly formed General Assembly shall represent all the shareholders, and shall be held in the city in which the Company's headquarters is located.
2. Every shareholder, regardless of the number of his shares, has the right to attend the General Assemblies of the shareholders and has the right to delegate another person other than members of the Board of Directors or Company employees to attend the General Assembly. The shareholders' General Assemblies may be held, and the shareholder may participate in their deliberations and vote on their Resolutions by means of modern technology, according to the controls laid down by the Capital Market Authority.

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## **Article 26: The Constituent Assembly:**

1. The founders shall call all subscribers to hold a constituent assembly within (45) forty-five days from the closing date of the shares subscription, provided that the period between call day and convene day shall not be less than (10) days
2. Each subscriber - regardless of the number of his shares - has the right to attend the constituent assembly. For the meeting to be valid, the attendance of a number of subscribers representing at least (half) of the capital is required. If this quorum is not met, an invitation will be issued to a second meeting to be held after (15) fifteen days at least from the invitation to it. Nevertheless, the second meeting may be held an hour after the end of the period specified for the first meeting, and the invitation to hold the first meeting shall include proof of the possibility of holding this meeting. In all cases, the second meeting shall be valid regardless of the number of subscribers represented.

## **Article 27: Competences of the Constituent Assembly:**

The Constituent Assembly shall be concerned with the following matters:

1. Verification of the underwriting of all the Company's shares, the fulfillment of the minimum capital, and the amount due from the value of the shares According to Law
2. Deliberating on the report of In-kind Shares
3. Approval of the final texts of the Company's Articles of Association, provided that substantial amendments are not made to the Articles of Association presented to it except with the approval of all subscribers represented therein.
4. Appointing the members of the first Board of Directors of the Company for a period not exceeding (5) five years if they have not been appointed in the Company's MOA or its Articles of Association.

**Discussing the founders' reports on the business and expenditures required for establishing the Company. The Ministry of Commerce and Capital Market Authority may delegate on representative or more in his capacity as supervisor to attend the constituting Assembly of the Company to assure the application of the Law.**

## **Article 28: Competences of the Ordinary General Assembly:**

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

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## **Article 29: Competences of the Extraordinary General Assembly:**

The Extraordinary General Assembly has the authority to amend the Company's Articles of Association, with the exception of provisions that it is prohibited to be amended by law, and it has the right to issue Resolutions on matters falling within the jurisdiction of the Ordinary General Assembly in the same terms and conditions established for the Ordinary General Assembly.

## **Article 30: Call for Assemblies:**

- The general or private assemblies of the shareholders shall convene at the call of the Board of Directors. The Board of Directors shall call the Ordinary General Assembly to convene if requested by the Auditor, the Audit Committee, or a number of shareholders representing at least 5% of the capital. The auditor may call the Assembly to convene if the Board does not invite the Assembly within thirty (30) days from the date of the Auditor's request.
- It is permissible, by resolution of the competent authority, to call the Ordinary General Assembly to convene in the following cases:
  - If the period specified for the meeting expires (during the six months following the company's Fiscal Year) without it being held.
  - If the number of members of the Board of Directors falls below the minimum validity of its meeting
  - If it appears that there are violations of the provisions of the law or the Company's articles of association, or a defect has occurred in the Company's management
  - If the Board does not invite the General Assembly to convene within fifteen days from the date of the request by the Auditor, the Audit Committee, or a number of shareholders representing at least 5% of the capital
  - A number of shareholders representing at least 2% of the capital may submit a request to the Capital Market Authority to call the Ordinary General Assembly to convene, if any of the cases stipulated in paragraph 2 are available. The Capital Market Authority shall direct the invitation to convene within thirty days from the date of submitting the shareholders' request, provided that the invitation shall include a schedule of the Assembly's work and the items required to be approved by the shareholders
  - This invitation and the agenda, after obtaining the approval of the regulatory authorities, shall be published on the website of the financial market and in a daily newspaper distributed in the region where the company's head office is located, at least (21) twenty-one days before the meeting date. A copy of the invitation and the agenda shall be sent to the Ministry of Commerce , Saudi central bank and the Capital Market Authority. A copy is also sent to the

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Capital Market Authority during the period specified for publication. However, it may be sufficient to send the invitation on the aforementioned date to all shareholders by registered letters

### **Article 31: Assemblies Attendance Register:**

Shareholders who wish to attend the General or Private Assembly shall register their names in the Company's head office prior to the time specified for the meeting.

### **Article 32: Quorum for the Ordinary General Assembly Meeting:**

- The meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least (a quarter) of the Company's capital.
- If this quorum is not available at the first meeting as in paragraph (1), a call will be issued to a second meeting to be held within the thirty days following the previous meeting. This invitation shall be published in the manner stipulated in Article (30) herein. Nevertheless, the second meeting may take place an hour after the end of the period specified for the first meeting, provided that the call to hold the first meeting includes evidence indicating the possibility of holding this meeting. In all cases, the second meeting shall be valid, regardless of the number of shares represented in it.

### **Article 33: Quorum for the Extraordinary General Assembly Meeting:**

- The meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital.
- If such a quorum cannot be attained at the first meeting, a notice for convening a second meeting shall be sent in the same conditions stipulated in Article (30) herein. The second meeting may be held one hour after the end of the period specified for the first meeting, provided that the call to hold the first meeting includes evidence indicating the possibility of holding this meeting. In all cases the second meeting will be valid if attended by a number of shareholders representing at least (a quarter) of the capital.

If the necessary quorum is not met in the second meeting, an invitation to a third meeting to be held according to the same conditions stipulated in Article (30) herein, and the third meeting will be valid regardless of the number of shares represented in it, after the approval of the Capital Market Authority

### **Article 34: Voting in Assemblies:**

Votes in the Constituent Assembly and Ordinary and Extraordinary General Assemblies shall be calculated on the basis of one share. The cumulative voting shall be used in the election of the Board of Directors, so that the right to vote for the share may not be used more than once. Members of the Board of Directors may not participate in voting on the Assembly's Resolutions

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related to absolving them of responsibility for the management of the Company or related to a direct or indirect interest to them.

### **Article 35: Resolutions of the Assembly:**

Resolutions in the Constituent Assembly shall be issued by the absolute majority of the shares represented in it, and the Resolutions of the Ordinary General Assembly shall be issued by the absolute majority of the shares represented in the meeting. Nevertheless, if these Resolutions are related to the evaluation of special benefits, the approval of the majority of subscribers is required for the shares that represent (two-thirds) of the shares mentioned after excluding what the beneficiaries subscribed to. The Resolutions shall be issued in the Extraordinary General Assembly by a majority of two-thirds of the shares represented in the meeting unless the Resolution is related to an increase or decrease in the capital or prolonging the term of the Company or dissolution of the Company before the period specified in its Articles of Association or its incorporation into a Company or another corporation, so the Resolution is not valid, unless it is issued by a three-fourths majority of the shares represented at the meeting.

### **Article 36: Deliberations at the Assemblies:**

Every shareholder shall have the right to discuss the matters listed in the agenda of a General Assembly, and to address questions to the Directors and the Auditor in respect thereof. Every text mentioned herein which deprives the Shareholder of this right shall be null and void. The Directors or the Auditor shall answer Shareholders' questions to such an extent that would not jeopardize the Company's interests. If a Shareholder feels that the answer to his question is unsatisfactory, he may appeal to the General Assembly whose Resolution shall be final in this respect.

### **Article 37: Presidency of Associations and Preparing Minutes:**

1. The General Assembly meetings shall be chaired by the Chairman or, in his or her absence, by the Vice Chairman, or, in his or her absence by a member delegated by the Board of Directors.
2. Minutes shall be kept for every General Assembly, showing the names of Shareholders present or represented, the number of Shares held by each of them, whether personally or by proxy, the number of votes allotted thereto, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the debate conducted at the meeting. Following every meeting, the minutes shall be recorded in an organized manner in a special book, which shall be signed by the Chairman, the Secretary, and the vote counter.

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## Chapter 6

### Committees of the Board of Directors:

#### Article 38: Board Committees:

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

## Chapter 7

### Auditor:

#### Article 39: Appointment of the Auditor:

The Company shall have two auditors or more from among those licensed to operate in the Kingdom appointed by the Ordinary General Assembly, which shall specify their compensation and term of office. Their term of office shall not exceed 5 consecutive years. Any member whose term expires may be reappointed after 2 years of expiration. The General Assembly may at any time remove the Auditors, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.

#### Article 40: Powers of the Auditor:

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check and confirm the Company's assets and liabilities. The Chairman shall enable the Auditor to undertake its duties. The Auditor shall record any difficulties it may face in such regard in its report to the Board of Directors. If the Board of Directors does not facilitate the Auditor's work, the Auditor shall request the Board of Directors to convene the Ordinary General Assembly to look into the matter.

#### Article 41: Obligations of the Auditor:

The Auditor shall submit to the annual General Assembly a report prepared in accordance with the generally accepted auditing standards, including the position of the Company's management to enable him to obtain the data and notes he requests and what he may have uncovered in violation of the provisions of the Cooperative Insurance Companies Control Law and its implementing regulations, by-laws, statutes and other relevant instructions and his opinion in the fairness of the Company's financial statements. The Auditor shall read his report in the General Assembly. If the Assembly decides to approve the report of the Board of Directors and the financial statements without hearing the auditor's report, its Resolution is void.

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## Chapter 8

### Company Accounts and Dividend Distribution:

#### Article 42: Fiscal Year:

The Company's Fiscal Year shall begin on the first of (January) and ends at the end of (December) of the same year, provided that the first fiscal year shall begin from the date of the ministerial Resolution announcing the establishment of the Company and ends on (31) December of the following year.

#### Article 43: Financial documents:

1. The Board of Directors shall prepare the Company's financial statements at the end of each fiscal year (the financial statements shall include:
  - financial position statement for insurance and shareholders' operations, statement of surplus "deficit" of insurance operations, shareholders' equity statement, cash flows statements for insurance operations and shareholders' cash flow statement) together with a report of its activities and financial position for the preceding financial year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposition of the Auditor at least 45 (forty-five) days prior to the date set for convening the General Assembly.
  - The Chairman, Company CEO, and Chief Financial Officer shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed in the Company's head office to be available for Shareholders at least 21 days prior to the date set for General Assembly meeting

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- The Chairman shall provide Shareholders with Company financial statements, the Board of Directors' report and the Auditor's report unless these reports are published in a daily newspaper that is distributed in the locality of the head office of the Company. In addition, the Chairman shall send a copy of these documents to the Ministry of Commerce and Investment and a copy to Capital Market Authority at least fifteen days prior to the date set for convening the General Assembly.

#### **Article 44: Accounts of Insurance Operations:**

The accounts of the insurance operation shall be independent of the shareholders' income statement, as per the following details:

##### **First: Accounts of Insurance Operations:**

1. An account shall be set aside for earned premiums, reinsurance commissions and other commissions.
2. An account shall be set aside for the compensation incurred by the Company.
3. At the end of each year, the total surplus, which represents the difference between the sum of the premiums and compensation, minus the marketing, administrative and operational expenses, and the necessary technical allocations shall be determined according to the regulations governing this.
4. Determination of the net surplus shall be as follows:

The investment return related to the insured, after calculating their returns and deducting the expenses they owe shall be added to the total surplus mentioned in paragraph (3) above, or deducted from it

5. Distributing the net surplus and it is either by distributing (10%) to the insured directly, or by reducing their premiums for the following year, and (90%) shall be carried over to the shareholders' income accounts.

##### **Second: Statement of Shareholders' Income:**

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

#### **Article 45: Zakat, Reserve and Dividends:**

The Company shall:

- Set aside of Zakat and established income tax.
- Set aside (20%) of the net profits to form a statutory reserve. The Ordinary General Assembly may stop this

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deduction whenever the total reserve reaches 100% of the paid capital.

- When determining the shares in the net profits, the Ordinary General Assembly may decide to create other reserves, to the extent that it serves the interest of the Company or guarantees the distribution of fixed profits as possible to the shareholders.
- The company's annual net profits determined by the company shall be distributed after deducting all general expenses and other costs, and the necessary reserves shall be made to face doubtful debts, investments 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 Saudi central bank. The remainder of the profits shall be allocated after deducting the prescribed reserves under the relevant regulations and zakat at a rate of no less than 5% of the paid-up capital for distribution to shareholders in accordance with what the board of directors proposes and the general assembly decides. If the remaining percentage of the profits due to shareholders is not sufficient to pay this percentage, the shareholders may not demand payment of it in the following year or years. The General Assembly may not decide to distribute a percentage of the profits from what the Board of Directors has proposed

#### **Article 46: Entitlement to Profits:**

Shareholders shall be entitled to their share of profits pursuant to the General Assembly resolution adopted in this regard. Such resolution shall specify the entitlement date and distribution date. Shareholders registered in the shareholders register shall be entitled to their shares of profit by the end of the day of their entitlement. The Company shall inform the Capital Market Authority without delay of any Resolutions to distribute profits or recommend it, and the profits to be distributed to the shareholders shall be paid at the place and time determined by the Board of Directors, in accordance with the instructions issued by the competent authority, subject to the prior written approval of Saudi central bank

#### **Article 47: Company losses:**

If the Company's losses reach 50% of the paid-up capital at any time during the fiscal year, the Auditor or any officer of the Company shall notify the Chairman immediately upon becoming aware of such losses, who in turn shall immediately notify the Board of Directors. During 15 days of becoming aware of that, the Board of Directors shall convene an Extraordinary General Assembly within no more than 45 days of becoming aware of the Company's losses reaching 50% of its capital, to either increase or decrease the Company's capital in accordance with the Companies Law to the extent that the losses decrease to less than 50% of the paid-up capital, or to dissolve the Company before the expiry of its term stated herein. In all cases, the Assembly's Resolution shall be published in the Ministry of Commerce Website. The Company shall be deemed dissolved by operation of law if the Extraordinary General Assembly does not convene within the period prescribed above or if it, convened but is unable to adopt a resolution on this matter, or approves increasing the Company's capital in accordance with this Article and the increase shares are not fully subscribed to within 90 days from the date of the capital increase resolution.

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## Chapter 9

### Disputes:

#### **Article 48: The Company's Liability:**

The Company shall be bound by all the actions and acts that the Board of Directors carries out even if they are outside its jurisdiction, unless the stakeholder is of bad faith or knows that such actions are outside the powers of the Board.

#### **Article 49: Responsibility of Board Members:**

1. The members of the Board of Directors shall be jointly responsible for indemnifying the Company, the shareholders or others for the damage that results from their mismanagement of the Company's affairs or their violation of the provisions of the Cooperative Insurance Company's Control Laws and its implementing regulations and the by-laws, statutes and other relevant instructions. Every condition requiring otherwise shall be deemed null and void. Responsibility falls on all members of the Board of Directors if the error arises from a Resolution issued by their unanimous vote. As for the Resolutions issued by the majority of opinions, the opposing members will not be questioned once they express their objection in the minutes of the meeting. Absence from attending the meeting at which the Resolution is issued is not considered a reason for exemption from liability unless it is proven that the absent member was not aware of the Resolution or was unable to object to it after being aware of it.

2. Filing a liability lawsuit does not preclude the approval of the Ordinary General Assembly to discharge the members of the Board of Directors.

3. The liability lawsuit will not be heard after the lapse of (3) three years from the date the harmful act was discovered. With the exception of - cases of fraud and forgery, the liability lawsuit is not heard in all cases after the lapse of (5) five years from the end of the fiscal year in which the harmful act occurred, or (3) three years from the expiration of the membership of the concerned Board member, whichever is later.

4. Each shareholder has the right to file the liability lawsuit for the Company against the members of the Board of Directors if the mistake made by them would cause special harm to him. The shareholder may not file the aforementioned lawsuit unless the Company's right to file it is still valid. The shareholder shall inform the Company of his intention to file a lawsuit, while restricting his right to claim compensation for the special damage he suffered.

5. The Company may charge the following expenses that the shareholder bears to institute a lawsuit, regardless of its outcome, under the following conditions:

A. If the shareholder institutes the lawsuit in good faith.

B. If he submitted to the Company the reason for which he instituted the lawsuit and did not obtain a response within thirty days.

C. If it is in the interest of the Company to file this lawsuit based on the provision of Article (seventy-nine) of the Law

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D. That the lawsuit is based on a valid basis.

## Chapter 10

### Liquidation of the Company:

#### Article 50: Dissolution of the Company:

1. Upon the expiry of the Company, it shall enter into liquidation period during which it shall maintain its legal personality to the extent necessary for liquidation.
2. Optional liquidation may only be adopted by resolution of the General Assembly.
3. The liquidation resolution shall appoint a liquidator and determine its powers, fees, restrictions of power and the period of liquidation, provided that optional liquidation period shall not exceed five years and cannot be extended without a judicial order.
4. The powers of the Board of Directors shall cease upon the Company's approval of its liquidation, provided, however, that the Board of Directors shall remain responsible for the management of the Company and is deemed vis-à-vis third parties as liquidator until the liquidators are appointed. The Company's departments shall remain existent during the liquidation period and shall exercise their powers to the extent they do not conflict with the powers of the liquidator. The liquidation shall take into account preserving the rights of the participants in the surplus of insurance operations and the reserves formed as stipulated in Articles 44 and 45 herein.

## Chapter 11

### Concluding Provisions:

#### Article 51: Company Governing Law:

The provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Law and its Regulations, and the relevant rules, regulations and instructions shall apply to all that is not mentioned herein.

#### Article 52: Publication:

The Articles shall be placed and published in accordance with the provisions of the Companies Law and its implementing rule

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