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Company Bylaws

**Article (1): Incorporation**

The Company has been incorporated in accordance with Cooperative Insurance Companies Controlling Law, Companies Act, Capital Market Authority's Law and Implementing Regulations thereof as Saudi Joint Stock Company between shares' owners in accordance with the provisions of these articles set forth hereunder.

**Article (2): Name of the Company**

AL ALAMIYA FOR COOPERATING INSURANCE COMPANY (SAUDI JOINT STOCK COMPANY)

**Article (3): Purposes of Company**

Carry on cooperative insurance business in general insurance, health insurance, and protection and saving insurance disciplines. The company may carry on all works necessary to achieve purposes thereof. The company shall carry on business in accordance with Cooperative Insurance Companies Controlling Law and Implementing Regulation thereof in addition to rules promulgated by the Saudi Central Bank, rules and regulations valid in the Kingdom of Saudi Arabia and upon acquiring necessary licenses from the competent departments, if any.

**Article (4): Participation and Acquisition**

The Company has the right to incorporate limited liability companies or sole person shareholding/joint stock companies. Further, the Company may acquire shares and stocks in other outstanding companies or merge with the same and may participate with others in incorporating shareholding limited liability companies, provided that the companies being incorporated by the company or in which the company is shareholding or merging shall carry on works similar to the company, financial works, achieving or conducive to the fulfilment of purposes set forth herein, and upon satisfying requirements of rules applicable in this regard and upon acquiring the approval from the Saudi Central Bank. .

**Article (5): Company's Head Office**

The Company's head office is located in the Riyadh City Kingdom of Saudi Arabia. The company may relocate head office to any other city in the Kingdom of Saudi Arabia through resolution adopted by the extraordinary general meeting and upon approval of the Saudi Central Bank. In addition, company may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia upon consent of the Saudi Central Bank.

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**Article (6): Term of the Company**

The Company's duration is Ninety-nine (99) Gregorian years that commenced as of the date of which the Company is registered in the Commercial Register. However; the duration of the Company may always be extended by a resolution to be issued by the Extraordinary General Meeting at least one (1) year prior to its expiry date.

**Article (7): Company's Investments**

Company shall invest insured and shareholders money in accordance with rules being established by the Board of Directors and without contravening Cooperative Insurance Companies Controlling Law and Implementing Regulation thereof and in line with related rules and provisions issued by the Saudi Central Bank or any related department.

**Article (8): Share Capital**

The Company's capital is fixed at four hundred million (SR 400,000,000) Saudi Riyals, divided into forty million (40,000,000) shares having an equal nominal value of SR 10 (Saudi Riyals Ten) each, all of which are ordinary cash shares.

**Article (9): Subscription in Share Capital**

Shareholders subscribed in full company's share capital and the same is fully paid up.

**Article (10): Shareholders' register**

Company's shares are tradable in accordance with provisions of Capital Market Law and Implementing Regulation thereof.

**Article (11): Issuance of Shares**

Shares shall be nominal and may not be issued at a value less than the par value thereof. However, shares may be issued at a value exceeding the par value. In such instances, the difference in the value of the share shall be added in a particular clause within shareholders' rights, and shall not be distributed to the shareholders as profits. A share is indivisible in front of the Company but when owned by several persons, they should elect one to represent them in exercising the rights pertaining to such a share. Such persons shall be equally and jointly liable for the obligations arising out of their ownership of such a share.

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**Article (12): Trading of shares**

1. Shares which are subscribed by the founders are non-negotiable before the publication of the financial statements for two (2) fiscal years, each of which should not be less than twelve (12) months upon date of incorporating the company and acquisition of approval from the Saudi Central Bank. Such instruments of shares shall be marked to reflect type and date of incorporating the company as well as period during which trading is prohibited.
2. However, during the above prohibition period, it is possible to transfer shares in accordance with provisions related to selling titles from one of the founders to another founder or from successors of a founder, in case of his death, to third party, or in case of applying execution on funds of insolvent or bankrupted founder; provided however that, other founders have priority to acquire such shares.
3. Provisions of this article apply to shares subscribed by founders in case of increasing capital before elapse of such prohibition period.

**Article (13): Increasing capital**

1. The Extraordinary General Assembly may decide to increase the capital upon consent of the Saudi Central Bank and Capital Market Authority, provided that the Capital has been paid in full. However, the Capital is not required to be paid in full if the unpaid portion of the Capital is attributable to shares issued in exchange for the conversion of debt instruments or financing instruments into shares and the period for conversion into shares has not yet expired.
2. The Extraordinary General Assembly shall in all cases allocate the issued shares upon the increase of the Capital or part thereof to the employees of the Company and the subsidiaries or some or any of them. Shareholders may not exercise the right of priority when the Company issues shares to employees.
3. The shareholder of the share at the time of the Extraordinary General Assembly Resolution approving the increase of company's capital, shall have the priority right in the subscription of the new shares issued against cash shares. Those, if any, shall be notified with such priority by the way of publishing the same in a daily newspaper or by registered post on capital increase resolution, subscription terms, duration, start and end date.

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4. The Extraordinary General Assembly shall be entitled to suspend the right of priority for the shareholders in the subscription of the capital increase in exchange for cash shares or to give priority to non-shareholders in the cases deemed appropriate for the Company's interest.
5. The shareholder has the right to sell or waive the right of priority during the period from the time of the General Assembly's decision to approve the increase of the Capital to the last day of subscription in the new shares associated with these rights, in accordance with the controls set by the Capital Market Authority (CMA).

**Article (14): Reducing capital**

1. The Extraordinary General Assembly may resolve reducing the capital if it exceeds its need or if the Company suffers losses upon consent of the central bank and Capital Market Authority, provided that paid up capital of the insurance company and upon reducing capital shall not be less than one hundred million (SAR100,000,000) Saudi Riyals. In addition, paid up capital of the re-insurance company or insurance company carrying on re-insurance business simultaneously, shall not be less than two hundred million (SAR200,000,000) Saudi Riyals. The decision of capital reduction shall be issued only after reading the auditor's report on the reasons for it and the obligations imposed on the Company and the effect of the reduction on these obligations.
2. If the capital reduction is due to the capital being in excess over the company's needs, the creditors must be invited to submit their objections within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper distributed in the area where the company's Head Office is located. If any creditor raises an objection and submits to the Company, within the above period, the documents substantiating his/her claim, the Company shall perform its debt if it is present or provide sufficient security to satisfy it if the same is deferred.

**Article (15): Company's management**

The Company shall be managed by a Board of Directors consisting of nine members to be elected in the Ordinary General Meeting for a period of three years max, and Structure of the board of directors shall reflect proper representation of independent members. Generally, number of independent members of the board shall not be less than two members or one third of board members; whichever is more. As an exception of this provision, the Incorporating Committee

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engages members of the first board of directors for not more than five (5) years effective upon date of publishing decision of the Ministry of Commerce and Investment on incorporation of the company.

**Article (16): Expiry of Board membership**

1. The office term of the Board of Directors shall expire by the end of the defined period, resignation, death, absence in three meetings during one year and without justified and legal reason, if the board of directors verified that member violated respective duties thereof in a manner damaging interest of the company, or by expiry of the membership in accordance with any law or regulation valid and applicable in the Kingdom of Saudi Arabia, or upon issuing order of bankruptcy or insolvency, or in case of filing request for settlement with creditors, stopped repayment of debts, being affected by mental illness or bodily disability that may lead to inability of member to perform role thereof properly, or if it is verified that he committed act involving breach of trust, morals, or being charged with forgery in accordance with final order
2. Nonetheless, the Ordinary General Assembly may, at all times dismiss, all or any of the members of the Board of Directors, but without prejudice to the dismissed member right to claim reimbursement if such dismissal has taken place at in untimely manner or is without plausible cause. Further, a member of the Board of Directors may resign office, provided that such resignation be in proper time, failing which, such member shall be liable to pay compensation to the Company for any damage arising from such resignation.
3. If the board member resigned and he got observations on performance of the company; then he shall submit a written statement with the same to the chairman of the board. Such statement shall be submitted to members of the board.
4. Company shall notify the Saudi Arabian Monetary Agency on resignation of any board member or membership expiry for whatever reason except in case of expiry of board tenure and within five (5) business days upon date of abandoning work, taking into consideration related disclosure requirements.

**Article (17): Membership vacancy**

If during the membership period, any position becomes vacant, then the Board of Directors shall temporarily appoint a member to fill that position provided that such member be from among

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persons who are experienced and qualified as the Board deems fit and upon acquiring non-objection of the Saudi Central Bank and without using the arrangement of votes casted in the General Assembly elected the Board of directors; provided that the Ministry of Commerce and Investment as well as the Capital Market Authority be informed accordingly within five (5) business days from the date of such appointment and that such appointment be brought before the Ordinary General Assembly in its foremost meeting; and the member newly appointed shall complete the terms of his predecessor.

### **Article (18): Powers and Authorities of the board**

1. Subject to the authority given to the General Assembly, the Board of Directors shall have broader authorities in managing the Company to accomplish objectives thereof, except powers and authorities excluded under particular provision in the Companies Act or these Bylaws in terms of acts or works involved within competency of the general assembly Moreover, within limits of competencies, the board may delegate one or more members or third parties in proceeding with certain work or works in line with related rules and regulations. The Board of Directors may, but is not limited to, represent the company in its relations with third parties, government and private entities, police stations, chambers of commerce and industry, all companies, institutions, banks, commercial banks, financial houses, all funds and institutions of government finance in its various names and specializations, and other lenders and the board and seize what happens from the implementation and release the liability Debtors of the company from their obligations, entering into tenders, buying, selling and mortgaging real estate. The board of directors also has the right to contract and sign in the name of the company and on its behalf on all types of contracts, documents and documents, including without limitation contracts for the establishment of companies in which the company participates with all its amendments and annexes, amendment decisions, and signing of agreements and instruments before the notary and official authorities, as well as agreements of loans, guarantees and instruments for sale Buying real estate, issuing legal agencies on behalf of the company, selling, buying, emptying, accepting, receiving, delivering, renting, arresting, paying, opening accounts and credits, withdrawing and depositing with banks, issuing guarantees to banks, funds and government financing institutions, signing all papers, order bonds, checks, all commercial papers, documents and all banking transactions.

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2. The board of directors may contract on loans regardless duration thereof, sell or mortgage assets of the company, sell or mortgage commercial venue of the company, discharge debtors of the company from respective liabilities, unless if these Bylaws involves restriction on authorities of the board or unless a decision is issued by the ordinary general assembly restricting such powers and authorities of the board of directors.

**Article (19): Remuneration of the board of directors, chairman of the board and managing director**

1. Remuneration of the board members is an identified amount or allowance against attending sessions, benefits in kind, or certain percent of net profit. It is possible to gather two or more of such benefits.
2. If the remuneration is certain percentage of profits; then such percent shall not exceed 10% of net profits upon deducting reserves established by the general assembly in application of the provisions of Cooperative Insurance Companies Controlling Law, Companies Act, and these Bylaws upon distributing profit to shareholders not below 5% of the company's paid up capital, provided however that maturity of such remuneration shall be in proportion with number of sessions being attended by the member and any estimation violating such provisions is deemed invalid.
3. Generally, total remuneration, financial or in-kind benefits acquired by the member of the board shall not exceed five hundred thousand Saudi Riyals, except members of auditing committee, in accordance with controls established by the Capital Market Authority
4. The Board's Annual Report submitted to the Ordinary General Meeting shall contain in detail a statement of all the amounts paid to the Directors in that capacity during the Company's financial year as remuneration, out-of-pocket expenses and any other benefits. The said report shall also state the amounts received by the Directors in their capacity as Company's employees or officers, or received in return for technical, administrative or consultation service and shall include as well statement with number of session of the board and number of session attended by each member since date of the last general meeting.

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**Article (20): Authorities of the Chairman and position tenure, Vice Chairman, Managing Director, and the Board Secretary**

The Board of Directors shall appoint, from amongst its members, a Chairman and a Vice Chairman and Chief Executive Officer (CEO) and it may appoint a Managing Director. A member of the Board of Directors may not jointly hold the office of the Chairman and any other executive office in the Company. The chairman of the board may sign on behalf of the company and implement decisions adopted by the board. The chairman of the board shall represent the company before judiciary and arbitration tribunals, etc. The chairman of the board may, through a written decision, delegate some of powers and authorities vested on him to other members of the board or third parties in proceeding with certain work or works Board of directors shall identify salaries, allowances and remunerations for chairman of the board and managing director in accordance with provisions of article (19) herein The board of directors shall appoint secretary of the board. In addition, the board of directors may engage consultant or more in several affairs of the company and the board establishes remunerations thereof. Term of chairman, vice chairman, managing director and secretary, shall not exceed duration of membership of each of them in the board. Further, they may be re-elected and the board may, at any time, remove them or any of them without prejudice to right of reimbursement if such removal takes place for illegal reason or at any inconvenient time.

**Article (21): Meetings of the board**

The Board of Directors shall convene through an invitation by the Chairman. The Chairman of the Board may call for meeting whenever the same is requested by two Board Members. The invitation shall be documented in the manner deems fit by the board. Meetings of the board shall be held periodically whenever is requested, provided that number of annual meetings shall not be less than four (4) meetings so that one meeting at least shall be held each three (3) months.

**Article (22): Quorum at meetings and decisions of the board**

1. The Board meeting shall only be valid if it is attended by at least five (5) members, provided that number of attendees at the meeting shall not be less than three (3) members.
2. If conditions necessary to hold the meeting of the board are unfulfilled for the reason that number of members is below the minimum quorum set forth in these bylaws; the remaining members shall call for convening the ordinary general assembly within sixty



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(60) days to elect the necessary number of members.

3. Under decision from the Capital Market Authority, it is possible to convene the ordinary general assembly if number of board members are below the minimum set forth to validate convening of the meeting.
4. Board member shall not deputize other to attend meeting in his place, except that member of the board may deputize other members on his behalf.
5. The Board of Directors' decisions shall be passed by an absolute majority vote of the attending or deputized members and in case of equal votes; then chairman of the board has casting vote.
6. It shall be permissible for the Board of Directors to issue resolutions in urgent issues by way of circulation through presenting them separately to the members, unless one member requests the Board to hold a meeting in order to deliberate such resolutions. These resolutions shall be submitted to the Board at its first following meeting.

**Article (23): Deliberations of the Board of Directors**

Deliberations and resolutions of the Board of Directors shall be recorded in minutes to be signed by the Chairman of the meeting, present members, and the Board Secretary. Such minutes shall be recorded in special register to be signed by the chairman of the board and secretary.

**Article (24): Agreements and Contracts**

1. Upon acquisition of no-objection from the Saudi Central Bank, the company may enter into an agreement for managing technical services with company or more amongst companies qualified and competent in the insurance industry.
2. Member of the board of directors shall not have direct or indirect interest in works and contracts made in favor of the company unless through permit from the ordinary general assembly. Member of the board shall notify the board with respective direct or indirect interest in works and contracts made in favor of the company and such notification shall be verified and confirmed in minute of meeting.
3. Such member shall not take part in voting on decision issued in this regard in the meetings of board of directors and meetings of shareholders.
4. Chairman of the board shall notify the ordinary general assembly when being convened

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on works and contracts in which a board member has direct or indirect interest. The notification shall be accompanied by report issued by the external auditor of the company.

5. If the board member did not disclose his interest; then the company or each stakeholder may claim the invalidation of the contract before competent judicial authorities or obligate the member to repay any profit or interest achieved from the same.
6. Liability for damages arising out of works and contracts referred to in clause (1) herein lies on member having interest in the work or the contract and board members too, if such works or contracts are performed in breach to provisions of this clause or if it is confirmed that they are unfair, or involving conflict of interests and causing damage to shareholders.
7. Board members objecting the decision is relieved from liability whenever they could prove express objection in minutes of meeting. Absent from the meeting during which the decision is adopted is not reason for relief from liability, unless if it is verified that the absent member did not about the decision or could not be able to object the same upon being aware of such decision.
8. Board member is unpermitted to engage in any work competing with the company, or shall not compete with the company in a discipline of business carried on by the company, otherwise the company may claim him before competent judicial authority with proper compensation, unless if he got prior permit from the ordinary general assembly, renewable on annual basis, permitting him to conduct the same.

**Article (25): Attending meetings**

1. Duly constituted general assembly representing all shareholders and shall be convened at the city in which head office of the company is located.
2. Each shareholder, regardless number of respective shares, is eligible to attend shareholders' general assemblies and may delegate other person not from number of members of the board or staff of the company to attend the general assembly. Shareholders' general assemblies may be held and shareholder may participate in the deliberations thereof and vote on decisions using state-of-the-art technologies in accordance with controls established by the Capital Market Authority.

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**Article (26): Incorporating Assembly**

1. Founders shall invite all subscribers to convene the incorporating assembly within forty-five (45) days upon date of closing shares subscription, provided that period between date of invitation and date of holding the assembly shall not be less than ten (10) days.
2. Each subscriber is eligible to attend the incorporating assembly. In order for meeting to be valid; number of subscribers representing at least half of capital shall attend the assembly. If such quorum is not available; then invitation shall be served for second meeting to be held fifteen (15) days at least after serving notice for such meeting. However, second meeting may be held one (1) hour after expiry of duration set forth to hold the first meeting. Invitation of the first meeting shall involve announcement on possibility to convene such second meeting. Generally, the second meeting shall be valid notwithstanding number of subscribers represented in the same.

**Article (27): Competencies of Incorporating Assembly**

The incorporating assembly is concerned with the following:

- a. Verify the subscription in all shares of the company and payment of least share capital in accordance with due sum of share value according to provisions of the Law.
- b. Deliberation on report of interim shares assessment.
- c. Adopt the final drafting of the Bylaws of the company, provided that no essential amendments shall be made to the same unless with consent of all represented subscribers.
- d. Engaging members of the first board of directors for duration not more than five (5) years and to engage first auditor, if they are not engaged already in the articles of association or bylaws of the company.
- e. Deliberation on founders' report about works and expenses necessary for incorporation of the company and adopting the same. The Ministry of Commerce and Investment as well as the Capital Market Authority may delegate representative or more in capacity as comptroller to attend the company's incorporating assembly and to verify and ensure the application of provisions of the Law.

**Article (28): Authorities of the Ordinary General Assembly**

Except for the matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall have the jurisdiction over all matters related to the Company

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and shall hold a meeting at least once a year within six (6) months following the end of the Company's fiscal year. Other Ordinary General meetings may be called for whenever needed.

**Article (29): Authorities of the Extraordinary General Assembly**

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, except for the matters that are not amended under the law; furthermore, the Extraordinary General Assembly shall have the power to issue resolutions pertaining to the matters that falling primary within the jurisdiction of the Ordinary General Assembly in the same conditions and terms specified for the Ordinary General Assembly.

**Article (30): Invitation of the General Assemblies**

1. The General or special meetings of the Shareholders shall be held by an invitation of the Board of Directors. The Board of Directors must call for the convention of the ordinary general meetings upon the request of the auditor, or the Audit Committee, or by a number of Shareholders representing at least 5% of the share capital. The auditor may call for a meeting of the General Assembly if the Board of Directors did not call for it within (30) days of the date of the auditor's request.
2. Through decision of the Capital Market Authority, it is possible to call the ordinary general assembly for convening in the following conditions:
  - a. If the duration set forth for convening is elapsed without holding the assembly (within the first six months upon expiry of fiscal year of the company).
  - b. If number of board members became lesser than the number established in order for meeting to be valid.

If it is appeared that there are violations to provisions of the Act or Bylaws of the company, or if there is defect in managing the company.

If the board did not serve invitation to convene the general assembly within fifteen (15) days upon request of auditor, auditing committee or number of shareholders representing 5% at least of share capital.

3. Number of shareholders representing at least 2% of the share capital may raise request to the Capital Market Authority to call the convening of ordinary general assembly in case of satisfying any of the conditions referred to in clause (2) herein. The Capital

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Market Authority shall serve invitation for convening the general assembly within thirty (30) days upon receiving request of shareholders, provided that the invitation shall involve agenda of the meeting and items to be agreed by the shareholders.

4. The invitation for the General Meeting and agenda shall be published in daily gazette circulated in the region in which the head office of the company is located, at least twenty-one (21) days prior to the convention of the meeting. Copy of the invitation and agenda shall be sent to the Ministry of Commerce and Investment and copy shall be sent to Capital Market Authority too. However, sending invitations on the said date to all shareholders via registered letters may suffice. A copy of the invitation and of the agenda shall be sent to the Capital Market Authority within the timeframe defined for the publication.

#### **Article (31): General assembly attending register**

Shareholders that are interested in attending the General or special Assembly shall register their names in the Head Office before the time set forth for convening of the Assembly.

#### **Article (32): Quorum at the Ordinary General Meeting**

1. The ordinary General Meeting shall be valid only if attended by shareholders representing at least (25%) of the share capital.
2. If such quorum is not present at the first meeting in accordance with clause (1) herein; then an invitation shall be sent for a second meeting to be held within thirty (30) days next to the previous meeting. Such invitation shall be published in the manner provided for in article (30) of these Bylaws. However, it is possible to hold the second meeting one hour after lapse of time set forth to hold the first meeting, provided that the invitation for first meeting shall include reference on possibility to hold second meeting in this manner. The second meeting shall be valid irrespective of the number of shares represented therein.

#### **Article (33): Quorum at Extraordinary General Meeting**

1. The extraordinary General Meeting shall be valid only if attended by shareholders representing at least (50%) of the share capital.
2. If such quorum is not present at the first meeting in accordance for meeting of the Extraordinary General Assembly with clause (1) herein; then an invitation shall be sent

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for a second meeting to be held within thirty (30) days next to the previous meeting. . However, it is possible to hold the second meeting one hour after lapse of time set forth to hold the first meeting, provided that the invitation for first meeting shall include reference on possibility to hold second meeting in this manner. The second meeting shall be valid only if attended by shareholders representing at least (25%) of the share capital.

3. In case this quorum is not attended in the second meeting; then invitation shall be served for third meeting under the same conditions provided for under article (30) of these Bylaws. Third meeting shall be valid irrespective of number of shares represented herein and upon consent of the Capital Market Authority.

### **Article (34): Voting in the Assemblies**

Votes in the incorporating assembly, ordinary and extraordinary assemblies are calculated on the basis of one vote for each shareholder. Accumulative voting shall apply in electing the board of directors, so that right of voting for each share shall be used one time only. . Members of the board shall not take part in voting on decisions of the assembly related to discharging them from liability on managing the company or related to any direct or indirect interest for them.

### **Article (35): Decisions of assemblies**

Decisions of the incorporating assembly shall be issued under absolute majority of shares represented in the same. Decisions of the ordinary general assembly shall be issued by the absolute majority of shares represented in the meeting (it is possible to provide for higher percent). However, in such decisions are related to estimation of special benefits; then it is necessary to have consent of majority shareholders representing two thirds (2/3) of the said shares upon eliminating shares of beneficiaries of such special benefits. Decisions in the extraordinary general assembly shall be issued by majority of two thirds (2/3) of the shares represented in meeting, unless if decision is related to increasing or decreasing capital or to extend duration of the company, dissolve the company before the established period thereof, merger into another company or establishment; in such condition the decision shall be valid only if issued by majority of three quarters (3/4) of shares represented in the meeting.

### **Article (36): Deliberations in the assemblies**

Any shareholder shall have the right to discuss the matters put on the Agenda of the General Meeting as well as to address pertinent questions to the Directors and the Auditors. Any provision restricting shareholder from such right is invalid The Directors and Auditors shall

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answer shareholders' questions to such an extent that would not jeopardize the Company's interest. In case a shareholder feels that the answer to his question is unsatisfactory he may appeal to the General Meeting whose decision shall be valid in this respect.

### **Article (37): Chairing the Assemblies and the Preparation of the Minutes**

1. The General Meeting shall be presided over by the Chairman of the Board of Directors or the Vice Chairman in the Chairman absence, or by any such member as delegated by the Board of Directors from among its members present at the meeting, if the Chairman and the Vice Chairman absent in the Meeting.
2. Minutes of meeting of the General Assembly shall be prepared including the number of the Shareholders present in person or represented by proxy, the number of shares held by them whether in person or by proxy, the number of votes attached to such shares, the resolutions adopted, the number of votes supporting or opposing such resolutions, and a sufficient summary of the deliberations conducted during the meeting. After each meeting, all minutes shall be regularly recorded in a special register to be signed by the Chairman of the General of the Meeting, the Secretary and the Votes Collector.

### **Article (38): Committees of the Board of Directors**

Committees of the Board of Directors shall be formed in accordance with related rules and regulations.

### **Article (39): Appointment of the Auditor**

The general assembly must have two (2) auditors (or more), from number of those licensed to practice in the Kingdom. The General Assembly shall identify remunerations and duration of work thereof and may re-engage them, , provided that total tenure of engagement shall not exceed five (5) consecutive years. The auditor who depleted such tenure may be re-engaged upon lapse of two (2) years from expiry date thereof. The General Assembly may at any time replace the Auditor(s) without prejudice to its right of compensation if such replacement occurred in an inappropriate time or for an improper reason.

### **Article (40): Authorities of the Auditor**

The auditor shall at any time have the right to access to the Company's books, records, and any other documents, and to request any statements and clarifications as he deems necessary to verify the Company's assets, liabilities, and other matters that are within the scope of his duties.

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The Chairman of the Board of Directors must enable the Auditor to perform his duties. If the Auditor encounters any difficulties in that regard, he shall set that in a report to be presented to the Board of Directors. If the Board fails to facilitate the auditor's tasks, the Auditor must request the Board to call for an Ordinary General Assembly to discuss the matter.

### **Article (41): Obligations of Auditor**

Auditor shall submit a report to the annual general assembly to be prepared in accordance with common auditing practices including position of company's management in terms of enabling the auditor to acquire requested information and clarifications and detected violations to provisions of the Cooperative Insurance Companies Controlling Law and Implementing Regulation thereof, other related regulations and instructions and Bylaws of the company. Further, the report shall involve views of the auditor on how fair are the financial statements of the company. The auditor shall read his report in front of the general assembly. If the general assembly determined the ratification of board of directors' report and financial statements without listening to auditor's report; then the decision thereof is invalid.

### **Article (42): Financial Year**

The Company's financial year shall commence on January 1st and shall end on December 31st of each calendar year. However, the Company's first financial year shall be starting from the date of ministerial decision announcing the incorporation of the company and expires on 31st December of the next year.

### **Article (43): Financial Documents/Instruments**

1. The Board of Directors shall, at the end of each financial year of the company, prepare the financial statements of the Company that consists of: statement of balance sheet for operations of insurance and shareholders, statement of surplus (deficit) of insurance operations, statement of shareholders' income, statement of shareholders' equity, statement of cash flows for insurance operations, statement of cash flows for shareholders, in addition to a report of its activities, and a balance sheet of the financial year that ended; the report shall contain the suggested means of distributing profits. The Board shall put these documents under the disposal of the Auditor at least (45) days before the date of the General Assembly.
2. The Chairman of the Board, the Chief Executive Officer and Chief Financial Officer shall sign the documents referred to in clause (1) of this article. Copies of these documents



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shall be filed in the Company's Head Office under full disposal of the shareholders at least twenty-one (21) days before the date of the General Assembly.

3. The Chairman of the Board shall provide shareholders with the Company's financial statements, the Board of Director's Report, and the Auditor's Report unless the same are published in daily gazette circulated in place of the Head Office of the company. Further, the Chairman of the Board shall provide the copy of such documents to the Ministry of Commerce and Investment as well as the Authority if the Company is listed in the Capital, at least (15) days before the date of the General Assembly.

#### **Article (44): Insurance operations accounts**

Insurance operations accounts shall be separate from statement of shareholders' income in accordance with the following details:

First Insurance operations accounts:

1. An account shall be assigned for acquired premiums, re-insurance commissions and other commissions.
2. An account shall be dedicated to compensations incurred by the company.
3. By end of each year the total surplus shall be identified which represent variation between total premiums and compensations less marketing, administrative and operating expenses and necessary technical provisions in accordance with organizing instructions.
4. Net surplus shall be identified as follows:

Add to surplus the total set forth in clause (3) hereinabove or deduct amounts allotted to insured from investment revenue upon calculating revenues belonging to them and upon deducting realized expenses.

5. Allotment of net surplus takes place either through the allotment of ten (10%) percent directly to the insured, or by reducing their premiums for the next year. Ninety (90%) percent shall be forwarded to shareholders' income accounts.

Second: Shareholders' statement of income:

1. Shareholders' profits are formed from shareholders' funds investment return in accordance with rules established by the Board of Directors.
2. Share of shareholders from net surplus is calculated in accordance with provisions of clause (5) of item "First" herein.

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**Article (45): Zakat and Reserve**

The company shall:

Set aside the duly established zakat and income tax.

Set aside twenty (20%) percent of net profits to form the statutory reserve. The ordinary general assembly may stop such allotment whenever total reserve reaches 100% of the paid-up capital.

The ordinary general assembly, at the time of identifying stock share in net profit, may determine the creation of other statutory reserve in the amount achieving interests of the company or ensuring the distribution of fixed profits to the shareholders to the possible extent.

Net annual profits of the company shall be distributed upon deducting all general expenses and other costs, creation of the statutory reserve necessary to face bad debts, loss of investments and emergent liabilities as the Board deems necessary in line with provisions of Cooperative Insurance Companies Controlling Law and in accordance with regulations issued by the Saudi Arabian Monetary Authority. From remaining profits and upon deducting established reserves in accordance with related regulations and upon deduction of zakat, the company shall allocate a percentage not less than (-----%) – not less than 5% of the paid-up capital to be distributed over shareholders in accordance with recommendations of the board of directors and as determined by the general assembly. If the remaining percentage of profits due to shareholders is insufficient to pay such percentage; then shareholders shall not claim payment of the same in the next year or years. The ordinary general assembly is unpermitted to determine the distribution of percentage from profit other than the one established by the Board of Directors.

**Article (46): Maturity of profits**

Shareholders is entitled to share of profits in accordance with decision of the general assembly issued in this regard. The decision shall clarify date of maturity and date of distribution. Priority of such profits is given to holders of shares registered with shareholders' registers by end of day set forth for maturity. The company shall notify the Capital Market Authority without any delay with decisions on distribution of profits or recommendations on the same. Profits distributable to shareholders shall be paid at place and times established by the board of directors in accordance with instructions issued by the competent department and in consideration of prior written consent of the Saudi Central Bank.

**Article (47): Losses of the Company**

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If the Company's losses reached half of its paid-up capital, at any time during the financial year, any executives of the Company or the Auditor, as soon as such losses become known to them must immediately notify the Chairman of the Board of Directors. The Chairman of the Board shall immediately notify other Board members of that situation, and the Board must, during (15) days of their knowledge of the situation, call for an Extraordinary General Assembly Meeting during (45) days of their knowledge of the situation to decide either to increase the Company's share capital or to reduce it in accordance with the regulations of the Companies Act, and to the extent that will decrease the percentage of the Company's losses to be less than half of the paid-up capital; or to dissolve the Company prematurely and before its expiry as stated in Bylaws of the company. In any case, the decision of the extraordinary general assembly shall be published on the websites of the Ministry of Commerce and Investment. The Company shall be considered as dissolved by force of the Companies' Act, if the Extraordinary General Assembly did not meet during the period set forth in the above clause, or if it held the meeting but did not pass a resolution in the matter, or if it decided to increase the Capital in such manner as set forth stated in this article and the entire Capital increase was not subscribed for during (90) days since the issuance of the General Assembly resolution.

### **Article (48): Company's Liability:**

Company shall be liable with all actions and conducts of the board of director even if they are out of competency thereof, unless if the stakeholder has a bad faith or knows that such actions are outside competency of the board.

### **Article (49): Liability of Board Members:**

1. Members of the board of directors are jointly liable for compensating company, shareholders or third parties for damage arising out of their mismanagement of company's affairs or violating provisions of Cooperative Insurance Companies Controlling Law and Implementing Regulation thereof, other related regulations and instructions and these Bylaws and any condition contrary to the same is inoperable. All members of the board of directors are liable if fault took place attributing to unanimous decision issued by them. For decisions adopted under majority of votes; the members rejecting the same are not liable for such decisions when they could prove their express objection in minute of meeting. Absence from the meeting in which decision is adopted in not reason to relieve member from liability, unless if the absent member could prove that he does not know about the decision or could not object the same upon knowing

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such decision.

2. Consent of the ordinary general assembly on clearing/discharging members of the board shall not preclude the filing of liability claim.
3. Liability claim could not be heard upon lapse of three (3) years from date of discovering the damaging action, except in fraud and forgery conditions. Generally, liability claim could not be heard after five (5) years from expiry date of the fiscal year in which the damaging action took place or after three (3) years from date of membership expiry of the concerned member of the board, whichever is far.
4. Each Shareholder shall have the right to institute an action for liability prescribed for the Company against the Board members if the wrongful act committed by them caused personal harm to that shareholder. The shareholder may only institute such action if the Company's right to do so is still valid and notifying the Company of his intention to institute such an action and right is limited to claim the reimbursement for damage affected him.
5. It is possible to charge the company with the following expenses being incurred by shareholder to bring a claim regardless outcome thereof, under the following conditions:
  - a. If he filed a claim in good faith.
  - b. If he provided the company with reason behind filing such claim and did not receive respond within thirty (30) days.
  - c. If the company's interest requires the filing of such claim based on provisions of article (49) of the Law.
  - d. If the claim is based on true and valid grounds.

**Article (50): Dissolution of the Company**

1. The Company, once dissolved, will enter into the phase of liquidation and it will retain its legal personality to such extent as required for its liquidation.
2. The liquidation resolution shall be issued by the partners or the Extraordinary General Assembly.
3. The resolution shall include the appointment of the liquidator, specifying his powers and fees, the restrictions imposed on his powers and the time required for liquidation. The voluntary liquidation period shall not exceed five (5) years and may not be extended by

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a judicial order.

4. The powers and authorities of the members of the Board of Directors shall cease upon the dissolution of the Company. Nevertheless, the Board of Directors will continue to manage the Company, and will be deemed, as regards third parties, to be the liquidators of the Company until such time when a liquidator is appointed. The Company's General Assembly shall remain active during the liquidation period and their role shall be limited to exercising such powers as not inconsistent with those of the liquidator. Liquidation shall maintain rights of shareholders in insurance operations surplus and reserves created under articles (44) and (45) of these Bylaws.

**Article (51): Company's Law**

Unless otherwise provided for in these Bylaws, provisions of Cooperative Insurance Companies Controlling Law and Implementing Regulation thereof, Companies Act and Regulations thereof, other related regulations and instructions shall apply herein.

**Article (52): Publication**

These Bylaws shall be filed and published in accordance with provisions of the Companies Act and Regulations thereof.