



## **Company Bylaw**

**The Company for Cooperative Insurance (Tawuniya) A Saudi  
Joint Stock Company**

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## **CHAPTER ( I )**

### **Incorporation of the Company**

#### **Article ( 1 ) : Incorporation**

A Saudi Joint Stock Company shall be incorporated in accordance with the Law on the Supervision of Cooperative Insurance Companies, the Companies Law, the Capital Market Law and its Implementing Regulations and in conformity with these Articles of Association among holders of shares governed by the rules stipulated hereinafter.

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

The Company for Cooperative Insurance, a Saudi Joint Stock Company.

#### **Article ( 3 ) : Purpose of the Company**

To transact cooperative insurance and re-insurance business in the class of general insurance, health insurance and protection and savings insurance (according to the licenses to transact insurance business granted by the Saudi Arabian Monetary Authority "SAMA"). The Company may carry out all business activities necessary to achieve its objectives and shall transact such activities in conformity with the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and the rules issued by SAMA and the laws and regulations applicable in the Kingdom of Saudi Arabia after obtaining all necessary licenses from the competent authorities, if any.

#### **Article ( 4 ) : Participation with other Companies**

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

#### **Article ( 5 ) : Head Office of the Company**

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

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

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

**CHAPTER ( 2 )****Principles to be Followed by the Company in its Operations and the Attainment of its Objectives****Article ( 7 ) : The Company Investments**

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

**CHAPTER ( 3 )****Share Capital and Shares****Article ( 8 ) : Share Capital**

The capital of the Company is set at SR 1,250,000,000 (one billion and two hundred fifty million Saudi Riyals) divided into 125,000,000 (one hundred twenty five million) shares having an equal nominal value of SR 10 (ten Saudi Riyals) each, all being ordinary cash shares.

**Article ( 9 ) : Subscription to Shares**

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

**Article ( 10 ) : Shares Register**

Shares are negotiable in accordance with the rules of the Capital Market Law and its Implementing Regulations.

**Article ( 11 ) : Share Issuance**

1. The shares of joint stock companies shall be nominal. Shares may not be issued at less than their nominal value, but they may be issued at a premium if the bylaws of the company provide that or if it is approved by the general assembly. In this case, the difference in value shall be prescribed in a separate provision within

shareholders' rights and it may not be distributed to shareholders as profits. If a share is jointly owned by several persons, they must elect one of them to exercise the rights attached to such share on their behalf, but they shall be jointly liable for the obligations arising from the ownership of such share.

2. The Company may, after obtaining the Central Bank's no objection, to buy and sell its shares, in accordance with the Companies Law and the controls issued by the supervisory and regulatory authorities.

#### **Article ( 12 ) : Shares Trading**

1. Shares subscribed by the founders may not be negotiable except after publishing the financial statements for two fiscal years, each of which is not less than twelve (12) months from the date of the Company incorporation, and after obtaining the approval of SAMA. The bonds of these shares shall be indicated to signify their type, the date of incorporation of the Company and the period during which it is prohibited to trade them.
2. During the ban period, the ownership of shares may be transferred in accordance with the provisions of the sale of rights from one of the founders to another founder or from the heirs of one of the founders in the event of his death to a third party or in the case of execution on the funds of the insolvent or bankrupt founder, provided that the priority of owning such shares is given to the other founders.
3. The provisions of this article shall apply to what the founders subscribe to in the event of a capital increase before the ban period has passed.

#### **Article ( 13 ) : Increase of Capital**

1. By resolution of the Extraordinary General Assembly, and subject to approval of SAMA and the Capital Market Authority, the capital may be increased, provided that the original capital has been fully paid. It is not required that the capital be paid in full if the unpaid portion of the capital relates to shares issued in exchange for convertible debt instruments or financing sukuk into shares and that period prescribed for converting them to share has not yet expired.
2. 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-emption rights on shares allocated to employees.
3. Shareholders shall have – at the time of the General Assembly's resolution to approve the increase in the capital – the pre-emptive rights to subscribe for the new cash shares. The shareholders shall be notified of the pre-emptive rights vested in them, if any, by notice to be published in a daily newspaper addressing the capital increase resolution, the conditions of subscription and the period of

subscription, or by written notice to the shareholder by registered mail and the website of the Capital Market Authority (Tadawul).

4. The Extraordinary General Assembly may suspend the shareholder's pre-emption rights in a cash capital increase or grant them to others if it considers it in the Company's best interest.
5. A shareholder may sell or assign its pre-emption right 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 Capital Market Authority (CMA).

#### **Article ( 14 ) : Decrease of Capital**

1. The Extraordinary General Assembly may, after the approval of SAMA and the Capital Market Authority, reduce the Company's capital if it exceeds the Company's needs or if the Company suffers losses, provided that the paid-up capital of the insurance company after the capital decrease shall not be less than one hundred (100) million Saudi Riyals, and the paid-up capital of the reinsurance company or the insurance company that transacts at the same time reinsurance business shall not be less than two hundred (200) million Saudi Riyals. Such resolution shall be issued only after receiving a special report prepared by the Auditor on the reasons for such reduction, the obligations to be fulfilled by the Company, and the impact of the reduction on such obligations.
2. If the reason for the capital reduction is due to the capital being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such a reduction within sixty (60) 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 ) : Management**

The Company shall be managed by a nine-member Board of Directors appointed by the Ordinary General Assembly for a period not exceeding three years. The composition of the Board of Directors shall reflect adequate representation of 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 appoints the

members of the first Board of Directors for a period not exceeding (3) three years starting from the date of the Ministry of Commerce and Investment's resolution on incorporating the Company.

**Article ( 16 ) : Termination of Board Membership**

1. Membership of the Board of Directors shall be terminated upon the expiration of the Board session, member's resignation or death, or due to a member's failure to attend the Board sessions for three consecutive meetings without a reason acceptable to the Board of Directors or if it is proved to the Board of Directors that the member had breached his duties in a manner detrimental to the Company's interest, provided that such breach is endorsed by the Ordinary General Assembly, upon expiration of his appointment period in accordance with any law or regulations prevailing in the Kingdom, or if he is judged bankrupt or insolvent or submitted a request for settlement with his creditors, or has stopped paying his debts, or has suffered a mental illness or a physical disability that may lead to the member's inability to carry out his role perfectly, or it is proven that he committed an act of breach of trust and morals, or was convicted of forgery under a final judgment.
2. The Ordinary General Assembly may, at any time, remove all or any of the Board members, without prejudice to the right of a removed member to hold the Company liable if the removal is made without acceptable justification or at an improper time. A member 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.
3. If a Board member resigns and has comments on the performance of the Company, he shall submit a written statement thereof to the Board chairman, and this statement must be presented to the Board directors.
4. The Saudi Arabian Monetary Authority shall be informed upon the resignation of any Board director or the termination of his membership for any reason other than the end of the Board's session, within (5) five business days from the date of leaving the job and taking into account the relevant disclosure requirements.

**Article ( 17 ) : Board Vacancies**

Where the office of a Board member becomes vacant, the Board may appoint a temporary director who has sufficient experience and qualifications to fill the vacancy after obtaining the no objection of the Saudi Arabian Monetary Authority without considering the arrangement in obtaining votes in the General Assembly during which the Board was elected. The Ministry of Commerce and Investment as well as the Capital Market Authority shall be informed within five business days from the appointment date. Such appointment shall be submitted to the earliest General Assembly. The new member shall complete the unexpired term of his predecessor.

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

1- Without prejudice to the competencies of the General Assembly, the Board shall have the broadest powers in managing the Company in order to achieve its objectives, with the exception of what is excluded in a special provision in the Companies Law or this Policy including the acts or actions that fall within the jurisdiction of the General Assembly, and the Board chairman, for example for example, but not limited to, representing the Company in its relations with third parties, government, semi-governmental and private agencies ad sectors, before all statutory courts, administrative courts (the Board of Grievances), commercial courts, labor courts, labor and workmen offices, higher and primary committees for the resolution of labor disputes and all judicial committees, including, but not limited to, the Commercial Paper Committee, Financial Disputes Settlement Committees, Banking Disputes Settlement Committees, Securities Disputes Resolution Committees, Commercial Disputes Resolution Committees, Customs Committees, Commercial Fraud Committees, Committees for Examining Violations of the Health Professions Law, the Committee for Examining Violations Of Health Institutions Law Provisions, Committees for the Resolution of Insurance Disputes and Violations, the Primary and Appeal Committees for Tax Disputes and Violations and all judicial and quasi-judicial committees, the other organizations, arbitration bodies, civil rights, police departments, Chambers of Commerce and Industry, all companies, enterprises, banks, commercial banks, money houses, all funds and government financing institutions of various names and specializations and the other lenders. The Board chairman has the right to approve, demand, defend, plead, litigate, waiver, reconcile, accept judgments and deny them, accept arbitration, request the implementation of verdicts, oppose them and seize what is obtained from execution, relieving the Company's debtors of their liabilities, entering into tenders, selling, buying and mortgaging real estate. The Board chairman has the right to contract and sign in the name of the Company and on its behalf on all types of contracts, deeds and documents, including without limitation contracts for the establishment of companies in which the Company participates with all its amendments and appendices, amendment decisions, and signing of agreements and instruments before the notary and official authorities, as well as agreements of loans, guarantees, bonds and Sukuk, for selling and buying real estate, issuing power of attorney / authorization on behalf of the Company, selling, buying, finalizing registration, accepting, receiving, delivering, renting, leasing, 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. The Board chairman also has the right to issue written authorization and legal and official agencies to empower, authorize, or delegate a person or several persons, corporate bodies, or several entities with all or some of the powers mentioned above, and he also has the right to give agents the power to delegate others .

The Board may - within the limits of its competence - delegate one or more of its members or third parties to carry out specific work or actions in a manner that does not conflict with the relevant laws and regulations .

- 2- The Board may contract loans of any duration, sell or mortgage the Company's assets, sell or mortgage the Company's business, or absolve the Company's debtors from their obligations, unless this regulation includes or is issued by the Ordinary General Assembly restricting the Board's powers in that .

**Article ( 19 ) : Remuneration of the Board Members, Board Chairman and the Managing Director**

1. Remuneration of the Board members may consist of a specified salary, or meeting attendance fee, material benefits, a percentage of the net profits or a combination of two or more of these benefits.
2. If the remuneration is a specific percentage of the Company's profits, this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in implementation of the provisions of the Law on Supervision of the Cooperative Insurance Companies, the Companies Law and the Articles of Association, and after distributing profit to shareholders of not less than (5%) of the paid-up capital of the Company, provided that the entitlement to this remuneration is proportional to the number of meetings attended by the Board member, and any estimate to the contrary is considered null and void.
3. In all cases, the total remunerations and financial or material benefits a Board member receives does not exceed an amount of five hundred thousand Riyals annually (except for members of the Audit Committee), in accordance with the controls set by the Capital Market Authority. The Board also determines the special remuneration for the Board chairman for his work and the responsibilities that he carries out in this capacity, in addition to the remuneration determined for the Board members, and the special remuneration of the Board chairman is not subject to the upper limit of the annual remuneration of the Board members, and if it exceeds the upper limit, a no objection must be obtained before recommending it to the shareholders' General Assembly for approval.
4. The Board report submitted to the Ordinary General Assembly must include a comprehensive statement of all remunerations, expense allowances and other benefits the Board members received during the fiscal year. It should also include a statement of what the Board members received as employees or directors, or what they received in return for technical or administrative work or consultation made. It should also include a statement of the number of Board meetings and the number of meetings attended by each member as of the date of the last General Assembly meeting.

**Article ( 20 ) : Powers, Membership and Membership Duration of the Chairman, Vice Chairman and Board Secretary**

The Board of Directors shall appoint from among its members a Chairman and a vice chairman and shall also appoint a chief executive officer and may appoint a managing



director. However, it shall not be permissible for a Board member to occupy jointly the office of the Chairman and any executive position in the Company. The Chairman shall have power to sign for the Company and implement the Board's decisions. The Chairman is authorized to represent the Company before the courts, arbitration bodies and in its relations with third parties. The chairman may, by a written decision, delegate some of his powers to other members of the Board or from third parties in carrying out specific work(s). The Board of Directors shall determine the salaries, allowances and remunerations for each of the Chairman and the Managing Director in accordance with the provisions of Article (19) of this bylaw. The Board must appoint a Board secretary. The Board may also nominate one or more consultants in the various affairs of the Company and shall determine their remuneration. The term of the Chairman, the Vice Chairman, the Managing Director and the Board Secretary shall not exceed the term of their respective membership in the Board, however they may be re-appointed. The Board may, at all times, remove any or all of them without prejudice to their right to damages if the removal is made without acceptable justification or at an improper time.

#### **Article ( 21 ) : Board Meetings**

The Board shall meet by convocation from the Chairman who shall call for a meeting, and whenever requested by two Board members. The call for a meeting shall be documented in the manner deemed appropriate by the Board. The Board meetings shall be held periodically and whenever needed, provided that the Board meeting shall be held at least four (4) times during a fiscal year, and shall be held at least every three months.

#### **Article ( 22 ) : Quorum of the Board Meetings**

1. Board meeting shall not have a quorum unless attended by at least six (6) of its Directors either in person or by way of proxy, provided that four Directors shall at least be present personally.
2. If the necessary conditions for convening the Board meeting are not met due to the number of its members falls below the minimum quorum stipulated in this bylaw, the remaining members must invite the Ordinary General Assembly to convene within sixty (60) days to elect the necessary number of members.
3. It is permissible, by decision of the Capital Market Authority, to call the Ordinary General Assembly to convene in the event that the number of members of the Board falls below the minimum quorum of its meeting.
4. It is not permissible for a Board member to deputize someone else to attend the meeting, and as an exception to this, a member of the Board may deputize other Board members.
5. Resolutions of the Board shall be adopted by majority vote of the members present or represented. In case of a tie, the chairman of the meeting would have the casting vote.
6. The Board of Directors may issue resolution on urgent matters by presenting them to the members individually, unless one of the members requests - in writing - the Board meeting to deliberate on. These resolutions shall be submitted to the Board at its first subsequent meeting.

**Article ( 23 ) : Board Deliberations**

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

**Article ( 24 ) : Agreements, Contracts Conflict of Interest and Competition**

1. The Company shall have power - after obtaining no objection from the Saudi Arabian Monetary Authority - to conclude an agreement to manage the technical services with one or more companies qualified in the field of insurance.
2. It is not permissible for a member of the Board to have any direct or indirect interest in the business and contracts that are made for the account of the company except with an approval from the Ordinary General Assembly. The Board member shall inform the Board of his personal interest, direct or indirect, in the business and contracts made for the account of the Company, and this notification shall be recorded in the minutes of the meeting.
3. That member shall have no power to participate in the vote on the decision to be issued in this regard by the Board of Directors and the shareholders' assemblies.
4. The Board chairman shall inform the Ordinary General Assembly at its convening of the business and contracts wherein a Board member has direct or indirect interest, and such notifications shall be accompanied by a special report from the Company's external auditor.
5. If a Board member fails to disclose his interest, the Company or any interested party shall have power to claim before the competent judicial authority to annul the contract or oblige the member to pay any profit or benefit realized for him from that.
6. Responsibility for damages resulting from the works and contracts referred to in Paragraph (1) of this bylaw rests on the member with an interest in the work or contract, as well as on the Board members, if such works or contracts were carried out in contravention of the provisions of that paragraph or if it is proved that they are not fair or involves conflict of interest and inflict damage to shareholders.
7. It is not permissible for a Board member to participate in any business that would compete with the Company, or to compete with the Company in any of the branches of the business activity that it transacts. Otherwise, the Company may recourse to him before the competent judicial authority for the appropriate compensation, unless he has obtained a prior approval from the Ordinary General Assembly – to be renewed every year - allowing him to do so.

**CHAPTER ( 5 )****Shareholders' Assemblies****Article ( 25 ) : Attending General Assemblies**

- 1- The duly constituted General Assembly represents all Shareholders and shall convene in the city where the Company's Head Office is located.

- 2- Each subscriber shall have the right, irrespective of the number of shares he owns, to attend the Constituent Assembly whether in person or as a proxy for other subscribers. General Assembly Meetings may be held and the shareholder participates in their deliberations and voting on their decisions by means of modern technology according to the controls set by the Capital Market Authority.

**Article ( 26 ) : Constituent Assembly**

- 1- The founders shall convoke all shareholders (subscribers) to convene a constituent assembly within forty-five (45) days from the date of closing the shares subscribing, provided that the period between the date of convocation and the date of the meeting is not less than ten (10) days.
- 2- Each shareholder - regardless of the number of his shares – shall have the right to attend the constituent assembly. To have a quorum, the meeting should be attended by shareholders representing half of the Company's capital at the minimum. If such requirement is not met in the first meeting, the Assembly shall be convoked once again to a second meeting to be held after fifteen (15) days from the convocation date. However, the second meeting may be held one hour after the end of the period specified for the first meeting, and the convocation to hold the first meeting shall include proof of the possibility of holding this meeting. In all cases, the second meeting shall be considered as having quorum regardless of the number of subscribers represented.

**Article ( 27 ) : Authorities of the Constituent Assembly**

The Constituent Assembly shall be vested with the following authorities:

- a. Ascertaining that the subscription to the whole capital has been effected and that the minimum capital limit has been met to the extent due from shares value in accordance with the provisions of the bylaw.
- b. Deliberating on the report of evaluating the in-kind shares.
- c. Approving the final text of the Company's Articles of Association, provided that substantial amendments are not made to the Articles of Association submitted to it except with the approval of all subscribers represented therein.
- d. Appointing the members of the Company's first Board of Directors for a period not exceeding five (5) years and the first auditor if they have not been nominated in the Company's Articles of Incorporation or its Articles of Association.
- e. Deliberating the Founders' report on the actions and the expenses associated with the Company's set up. The Ministry of Commerce and Investment, as well as the the Capital Market Authority, shall have the power to send a delegate (or more) as an observer to attend the Company's constituent assembly to ensure that the provisions of the law are implemented.

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

With the exception of matters considered as prerogatives of the Extraordinary General Assembly, the Ordinary General Assembly shall handle all matters related to the Company. It shall hold, at least, one meeting every year during the six months following the end of the Company's fiscal year. Other ordinary assemblies may be convoked as often as needed.

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

The Extraordinary General Assembly shall have the power to amend the Company's Articles of Association, except the provisions it may not amend under the law; and shall also have the power to make resolutions on internal matters which fall within the authority of the Ordinary General Assembly under the same conditions and terms stipulated for the latter.

**Article ( 30 ) : Call for Assemblies**

1. Ordinary General Assemblies and Extraordinary General Assemblies shall meet by convocation from the Board of Directors, which has the obligation to convoke I convene the Ordinary General Assembly upon the request of the Auditor, the Audit Committee or by a number of Shareholders representing at least 5% of the Company's capital. The Auditor may call for the convention of an assembly if the Board of Directors does not call the assembly to convene within thirty days from the date of Auditor's request.
2. By a decision of the Capital Market Authority, the Ordinary General Assembly may be called to convene in the following cases :
  - a. If the period specified for convening (during the six months following the end of the Company's financial year) expires without convening it.
  - b. If the number of Board members falls below the minimum quorum of its convening.
  - c. If it was found that there were violations of the provisions of the law or the Company's Articles of Association, or occurrence of a defect in the Company's management.
  - d. If the Board does not call the General Assembly to convene within fifteen (15) 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.
3. A number of shareholders representing (2%) of the capital at least 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) of this article are met, and the Capital Market Authority must call for a meeting during thirty (30) days from the date of submitting the Shareholders' request, provided that the invitation includes the agenda of the assembly's work and the items required to be approved by the Shareholders.
4. 4. Notices of General Assemblies shall be published in a daily newspaper distributed in the region of the Head Office of the Company at least twenty-one (21) days prior to the date set for the meeting. A copy shall be sent to the Capital Market Authority. Nevertheless, a notice sent by registered mail and the website of the Capital Market Authority (Tadawul) within the time limit set above shall suffice. A copy of the invitation and agenda are to be sent to the Capital Market Authority during the period of publication.

**Article ( 31 ) : Assembly Attendance Register**

Shareholders wishing to attend ordinary or extraordinary General Assemblies shall register their names at the Company's Head Office before the time scheduled for such assembly and the members may attend and register through the electronic channels specified by the Capital Market Authority and announced by the Company.

**Article ( 32 ) : Quorum of the Ordinary General Assembly**

1. The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least one fourth of the Company's stock capital.
2. Should such quorum not be achieved in the first meeting in accordance with the conditions set in the foregoing Article, the Assembly shall be convoked once again within the following thirty days. The invitation shall be issued as determined by Article (30) hereof. However, the second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes evidence indicating the possibility of holding this meeting, and in all cases the second meeting shall be considered as having the quorum if attended by a number of Shareholders representing at least (one fourth) of participating stock shares..

**Article ( 33 ) : Quorum of the Extraordinary General Assembly**

1. The meeting of the Extraordinary General Assembly shall not have a quorum unless attended by Shareholders representing half the Company's capital at the minimum.
2. Should such quorum not be achieved in the first meeting in accordance with the conditions set in the foregoing Article, the invitation shall be issued to the second meeting as determined by Article (30) hereof. However, the second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes evidence indicating the possibility of holding this meeting, and in all cases the second meeting shall be considered as having the quorum if attended by a number of Shareholders representing at least (one fourth) of participating stock shares.

**Article ( 34 ) : Voting at Assemblies**

The votes in the Ordinary General Assemblies as well as in the Extraordinary General Assemblies shall be counted on the basis of one vote for every share. Cumulative voting shall be used for the election of the 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 decisions of the Assembly related to discharging them of the responsibility for managing the Company or related to their direct or indirect interest.

**Article ( 35 ) : Resolutions of Assemblies**

Resolutions of the Constituent Assembly shall be made only by an absolute majority vote of the shares represented therein. However, if such resolutions pertain to the

valuation of special advantages, they shall be passed by the majority of subscribers having cash shares representing two thirds of these shares, after excepting those shares subscribed by those beneficiaries of special advantages. Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds of the shares represented at the meeting. Exceptions shall be considered for resolutions pertaining to the increase or the reduction of the capital, the prolongation of the duration or dissolution of the Company before its term or its merger into another company or establishment. In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three-quarters of the shares represented at the meeting.

**Article ( 36 ) : Deliberations at 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. Any condition herein depriving the Shareholder of right is considered 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 decision shall be final in this respect.

**Article ( 37 ) : Heading of Assemblies and Preparation of 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.

**CHAPTER ( 6 )**

**Committees Emanating from the Board of Directors**

**Article ( 38 ) : Board Committees**

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

## **CHAPTER ( 7 )**

### **Auditors**

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

The General Assembly shall appoint one (or more) auditors from among those licensed to practice auditing as a profession in the Kingdom. It shall fix their fees and term of office and may as well re-appoint them, provided that the total period of this appointment does not exceed five continuous years, and whoever has exhausted this period may be re-appointed after two years have passed since its expiry date. 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 the right, at any time, to have access to the Company's books, records and any other documents, and may ask for information and clarifications that he deems necessary and he is further empowered to verify and confirm the Company's assets and liabilities. The Chairman shall enable the Auditor to undertake its duties. The Auditor shall record any difficulties he may face in such regard in his 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 ) : Auditor's Obligations**

The auditor shall submit to the annual General Assembly a report prepared in accordance with the generally accepted auditing standards, in which h shall state the cooperation of the Company Management in placing at his disposal all particulars and clarifications called for, as well as any violations of any of the provisions of the Law on the Supervision of Cooperative Insurance Companies and its Implementing Regulations and the laws, regulations and other relevant instructions and these Articles of Association and his opinion on 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 decision will be void.

## **CHAPTER ( 8 )**

### **Company Accounts and Distribution of Dividends**



**Article ( 42 ) : Fiscal Year**

The fiscal year of the Company shall begin on the first of (January) and to the end of (December) each year. The first fiscal year shall begin from the date of the Ministerial resolution issued on incorporating the Company and to end on 31<sup>st</sup> December of the next year.

**Article ( 43 ) : Financial Documents**

- 1- At the end of each fiscal year, the Board of Directors shall prepare the financial statements (the financial statements consist of the statement of insurance operations and shareholders operations, statement of insurance operations surplus (deficit), statement of shareholders' income, statement of shareholders' equity, statement of insurance operations' cash flow and the statement of shareholders' cash equity). The Board shall also prepare a report on the Company's activities and its financial position for the fiscal year then ended. The report shall contain suggestions as to the method of distributing net profits, and the Board shall place the above mentioned documents at the disposal of the Auditor at least forty-five (45) days prior to the Ordinary General Assembly.
- 2- The Chairman, Chief Executive Officer 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 twenty-one (21) days prior to the date set for General Assembly meeting.
- 3- 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 (15) days prior to the date set for convening the General Assembly.

**Article ( 44 ) : Insurance Operations Accounts** The insurance operations accounts shall be kept separate from the Shareholders' income statement as per the following provisions:

Firstly: Insurance Operation Accounts:

1. A separate account is to be maintained for the contributions earned, re-insurance contributions commissions and other commissions.
2. A separate account to be reserved for the claims incurred by the Company.
3. At the end of every year, the total surplus shall be determined as arising from the difference between the total contributions and the sum of compensations after the marketing, administrative and operating expenses and the technical allocations generally accepted per applicable regulations.
4. Net surplus shall be determined as follows:



The share of insurance operations in the return on investment shall be added to the total surplus mentioned in the above subsection (3) after calculating their returns and deducting the realized general expenses associated with the insurance operations.

5. Net surplus shall be distributed by allocating ten percent (10%) directly to the insureds or by reducing their contributions of the next year and ninety percent (90%) shall be carried forward to shareholders' income account.

**Article ( 45 ) : Zakat, Reserves and Profits Distribution** The Company shall :

1. Set aside the Zakat and statutory income tax allocations.
2. Twenty percent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly shall when said reserve reaches (100%) of the paid up capital.
3. The Ordinary General Assembly, when determining the dividend portion in the net profits, may decide to create other reserves to the extent that serves the interest of the Company or ensures the distribution of fixed profits as possible to the Shareholders.
4. The net annual profits of the Company that it determines, after deducting all general expenses and other costs, and creating the necessary reserves to face doubtful debts, investment losses and contingent liabilities that the Board of Directors deems necessary, shall be distributed in accordance with the provisions of the Law on the Supervision of Cooperative Insurance Companies and the provisions issued by the Saudi Arabian Monetary Authority. From the remainder of the profits after deducting the reserves determined according to the relevant regulations and zakat, a percentage of not less than 5% of the paid capital shall be allocated for distribution to the Shareholders as proposed by the Board of Directors and decided by the General Assembly, and if the remaining percentage of the profits owed to the Shareholders is not sufficient to pay this percentage, then Shareholders may demand to pay it in the following year or years, and the General Assembly may not decide to distribute a percentage of profits in excess of what was proposed by the Board of Directors.

**Article ( 46 ) : Entitlement of Dividends**

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 that, and the profits to be distributed to Shareholders are 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 the Saudi Arabian Monetary Authority.

**Article ( 47 ) : Company Losses**

Should the Company's losses reach half 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. The Board of Directors shall convene an Extraordinary General Assembly within no more than forty-five (45) days of becoming aware of the Company's losses 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 half of the paid-up capital, or to dissolve the Company before the expiry of its term according to these Articles. The decision of the Assembly shall be published in all cases on the website of the Ministry of Commerce and Investment and the website of the Capital Market Authority (Tadawul). The Company shall be deemed dissolved by operation of law if the Extraordinary General Assembly does not convene within the period prescribed above or convenes 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 ninety (90) days from the date of the capital increase resolution.

**CHAPTER ( 9 )**

**Disputes**

**Article ( 48 ) : Liability of the Company**

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

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

1. The members of the Board of Directors shall be jointly responsible for indemnifying the Company, Shareholders or other third parties for the damage that results from their mismanagement of the Company's affairs or their violation of the provisions of the Law on the Supervision of Cooperative Insurance Companies and its Implementing Regulations and the other relevant laws, regulations and instructions as well as these Articles of Association, and every requirement otherwise is considered as if was not. Liability falls on all Board members if the default arises from a decision issued unanimously. As for the decisions 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 decision is issued is not considered a reason for exemption from liability unless it is proven that the absent member was not aware of the decision or was unable to object to it after being aware of.

2. Filing a liability lawsuit does not preclude the approval of the Ordinary General Assembly on discharging the members of the Board of Directors.
3. The liability lawsuit will not be heard after the lapse of three (3) 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 five (5) 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 versus the Board members if the default 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. However, the shareholder must 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 be charged with the following expenses that the shareholder has charged to institute a lawsuit, regardless of its outcome, under the following conditions:
  - a. If he 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 (30) days.
  - c. If it is in the interest of the Company to file this lawsuit based on the provision of Article (79) of the Companies Law.
  - d. That the lawsuit is based on a valid ground.

#### **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 the Partners or 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 (5) 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 General Assembly shall remain existent during the liquidation period and shall exercise its powers to the extent it does not conflict with the powers of the liquidator. In the liquidation process, due attention shall be given to preserve the rights of the Policyholders to the surplus from insurance operations and from reserves formed in accordance with Article (44) and Article (45) hereof.

**Article ( 51 ) : The Company Articles of Association**

The Law on the Supervision of Cooperative Insurance Companies and its Implementing Regulations, the Companies Law and its Implementing Regulations and the relevant rules, regulations and instruction shall apply to all other matters not specifically provided for herein.

**Article ( 52 ) : Publication of Articles**

These Articles shall be deposited and published in conformity with the Companies Law and its Implementing Regulations.