



Articles of Association of Alrajhi Cooperative Insurance Company

A Saudi Joint Stock Company



First Chapter

Incorporation of the Company

Article No (1): Incorporation:

The company is incorporated according to Cooperative Insurance Companies Control Law and its implementing regulation and the company's Articles of Association, and it will be a Saudi joint stock company among owners of the shares with their provisions stated below.

Article No (2): The Company Name:

Alrajhi Cooperative Insurance Company - Takaful Alrajhi - A Saudi Joint Stock Company.

Article No (3): Company Purposes

Practicing the cooperative insurance works in the general insurance and health insurance branch, and the protection and saving insurance, and the company may do all works required for achieving its purposes, and it practices its activities under the Cooperative Insurance Companies Control Law and its implementing regulations as well as the provisions issued by the Saudi Central Bank, and the laws and regulations applicable in the Kingdom of Saudi Arabia, and after obtaining the necessary licenses from the competent authorities; if any.



Article No (4): Participation and Owning in Companies:

The company may establish limited liability companies or joint stock "one-person" companies, and it may also own shares and stocks at other existing companies or merge with them. It has the right to join with others in incorporating stock companies or limited liability companies provided that the companies which it incorporates, makes partnership with or with which it merges practice works similar to its works, or the financial works that helps it to achieve its purpose, after fulfilling whatever is required by laws and regulations applicable in this regard, and after getting approval of the Saudi Central Bank.

Article No (6): Head Office of the Company

Head Office of the company will be in Riyadh city, Kingdom of Saudi Arabia, and head office of the company may be, subject to a resolution by the general assembly, transferred to another city in the Kingdom of Saudi Arabia subject to approval of the Saudi Central Bank. The company also has the right to establish branches, offices or agencies inside and outside the kingdom after getting approval of the Saudi Central Bank

Article No (6): Term of the Company:

The company term is (99) ninety nine Gregorian years starting from date of its entry in the Commercial Register, and the company term may be prolonged by virtue of a resolution issued by the extraordinary general assembly one year at least before expiry of this term.



The Second Chapter

The Rules that the Company Follows in Dealing with the Businesses and Purposes Determined for It

Article No (7): The Company Investments

The company invests the money of the insured persons and shareholders in the company according to the rules set up by the board of directors and without conflicting with the Cooperative Insurance Companies Control Law and its implementing regulation and the provisions issued by the Saudi Central Bank or any related entity.

The Third Chapter Capital and Shares:

Article No (8): The Capital:

Capital of the company is four hundred million (SR 400,000,000) divided into forty million shares (40,000,000) of equal value with a nominal value of (10) ten Saudi Riyals per share, and all of them are ordinary cash shares.

Article No (9): Subscription to Shares:

The shareholders subscribed to the entire capital of the company, and the whole amount was paid.



Article No (10): The Shareholders Register:

The company shares are circulated according to provisions of the Capital Market Authority law, and its implementing regulations.

Article No (11): Issue of Shares:

Shares of the company are nominal shares and they may not be issued with a value less than their nominal value and they may be allowed with a value higher than this value, and in the later case the value difference will be added in a separate provision within shareholders rights, and they may not be distributed as profits among shareholders. The share is not dividable against the company, and if several persons own the share, they have to choose one of them to act on their behalf in using the rights associated with it, and such persons will be jointly responsible for the liabilities arising from ownership of the share.

Article No (12): Circulation of Shares:

1- The shares to which shareholders subscribe may not be circulated until the financial statements are published for two successive financial years with each of them not less than (12) twelve months from date of the company incorporation, and after having consent of the Saudi Central Bank. Deeds of these shares will be marked with signals indicating their type, date of incorporation of the company and the period during which their circulation is forbidden.



2- During ban period, the shares ownership may be transferred according to provisions of sale of the rights from one of the founders to another founder or from heirs of one of the founders in case of his death to third parties, or in case of execution on funds of the insolvent or bankrupted founder, or on basis that priority for owning those shares go to other founders.

3- Provisions of this article will be applicable to the funds to which founders subscribe in case of increase of the capital before end of the ban period.

Article No (13) Capital Increase:

- 1.** Extraordinary General Assembly may decide to increase company capital after getting the Saudi Central Bank and CMA approval, provided that the capital shall be completely paid. The capital shall not be completely paid if the unpaid part of capital reverts to shares issued against converting debt instruments or financing instruments to shares, of which period specified for the conversion is not expired.
- 2.** In all cases, The Extraordinary General Assembly may allocate the issued shares at increasing capital or any part or some thereof to the employees in the company and its affiliates, or at any thereof. The shareholders are not entitled to practice the priority right when the company issues shares for employees.
- 3.** At the issuance of the extraordinary General Assembly's decision by approval on increasing capital, the shareholder has the priority to subscribe to the new shares, which are issued against cash shares. These shareholders shall be notified of their priority; if any, by publishing thereof in the daily journal, or notifying them via registered mail concerning the resolution to increase capital, subscription conditions, term, its commencement, and expiry date.



4.Extraordinary General Assembly is entitled to suspend the priority right for shareholders to subscribe to the capital increment by cash shares or give the priority to non-shareholders in the cases it thinks appropriate for the company interest.

5.The shareholder is entitled to sell the priority right or waive thereof within the period from the time of issuance of the General Assembly Resolution concerning the approval to increase capital until the last day of subscription to the new shares associated with these rights as per the controls set by the competent authority.

Article No (14): Capital Decrease

1- Extraordinary General Assembly may decide reduction of capital if it is more than the company requirements, or if it incurred losses after getting approval of the Saudi Central Bank and CMA provided that the paid up capital of Insurance Company is not letter than (100) one hundred million Saudi Riyals after capital reduction, and the paid capital of the reinsurance company or the insurance company which also practices reinsurance business is not less than (200) million Saudi Riyals . The reduction resolution shall be issued only after reading a specific report prepared by the auditor for the reasons necessitating thereon, as well as the obligations imposed against the company, as well as the impact of reduction on these obligations.

2- In the event the reduction of capital is resulted from being more than the company requirement, the debtors may be called to object thereon within (60) sixty days from the date of publishing the reduction decision in a daily journal distributed in the area where the company main office is located. If any debtor objected thereof and submits his documents on the date specified, the



company shall pay him his debt if it is due, or it may present thereto a sufficient guarantee to fulfill it if it has to be paid later.

The Fourth Chapter **Board of Directors**

Article No (15): Company Management:

The company management is undertaken by a board of directors composing of (8) eight members elected by the ordinary general assembly for no more than three years. The composition of the board of directors shall reflect an appropriate representation of the independent members, and the number of independent members of the board shall not be less than two, or third of members of board; whichever is more. Except for that, the constitutional assembly appoint members of the first board for no more than (3) three years starting from date of declaration of the resolution of the Ministry of Trade and Investment for incorporation of the company.

Article No (16): Expiry of the Board members

1-Board membership ends with expiry of its period or due to resignation or death of the member or his absence for more than three meetings during one year without an acceptable reason, and if it is proven for the board of directors that the member has violated his duties in a way harming interest of the company provided that consent of the ordinary general assembly is obtained for that. Membership also ends when



membership of the member expires according to a law or instructions applicable in the Kingdom of Saudi Arabia and if he declares his bankruptcy or insolvency, or presents a request for settlement with his creditors , or in case that he stops paying his debts, is infected by a mental disease or physical disability that may make him unable to perform his role perfectly or in case that it is evidenced that he committed any work violating principles of honesty and morality, or condemned of committing forgery according to a final judgment.

2- However, the general assembly may every time terminate all or some of the members of the board of directors without violation of the right of the terminated member towards company, to claim for compensation if termination is made for unacceptable reason or at improper timing, and the member of the board of directors may retire provided that this shall occur at a suitable time as otherwise he will be responsible toward company for damages caused by such retirement.

3- If member of the board of directors resigns while he has remarks against performance of the company, he shall submit a written statement thereof to the chairman of the board of directors, and such a statement shall be presented to members of the board of directors.

4- The Saudi Central Bank shall be informed upon resignation of any member in the board or termination of his membership for any reason other than expiry of the board



session within (5) five work days from date of leaving the work, and shall observe the relevant disclosure requirements.

Article No (17): Vacancy in the Board

If position of one of the members of the board gets vacant, the board may appoint a temporary member who has sufficient experience after getting no objection for that from the Saudi Central Bank and regardless of the votes obtained in the general assembly through which the board of directors is elected. The Ministry of Commerce and Investment and Capital Market Authority shall be informed of that within five (5) work days from date of appointment, and this appointment will be shown to the ordinary general assembly at the first meeting, and new member will only complete the period of the former member.

Article No (18): Board Authorities

1-Without prejudice of the authorities stipulated for the general assembly, board of directors will solely have the broadest authorities in the company management for achieving its purposes with exception of the areas referred to as being exceptional cases in the Companies Law or these articles which include acts or procedures considered as part of the authorities of the general assembly. The board of Directors may practice authorities include but not limited to: representing the company in its relations with third parties and with all companies, establishments, banks, capital houses and all government finance funds and foundations with their different names



and authorities, and other creditors, and may acquit the company debtors from their liabilities and it may enter in bids and may sell, purchase and mortgage real estates. The board of directors has the right of concluding contracts and signing in the name of the company and on its behalf on all types of contracts and documents including the articles of incorporation of the companies in which the company has partnership, with all of their amendments and appendixes and the amendment resolutions. The board is empowered to sign the agreements and deeds before the Notary Public and official authorities, and to sign the loan agreements, guarantees, bails and deeds for sale and purchase of real estates and issue legal POAs on behalf of the company. The board of directors is authorized to sell and purchase and to convey and accept conveyance, and to handover and takeover, rent, lease, receive, pay and open accounts and credits, and to withdraw and deposit with the banks and issue guarantees for the banks and funds and government finance foundations. The board signs all papers, promissory notes, checks and all of the commercial papers and documents and all banking transactions. The board may also, within limits of its competencies, authorize one or more of its members or third parties to commence one specific business or businesses, without conflicting with the related laws and regulations.

2- The board of directors may conclude contracts regardless of their term, or sell or mortgage assets of the company or sell or mortgage commercial store of the company or it may discharge company's debtors from their liabilities unless a provision



restricting the authorities of the board in this regard is involved in these articles or is issued by the extraordinary general assembly or the ordinary general assembly.

Article No (19): Remuneration of the Board of Directors

1- The remuneration of the members of the board of directors shall be a specific amount, sessions attendance allowance, in kind benefits or a specific percentage of the net profits, and members may enjoy two or more of these benefits jointly.

2- If remuneration is a specific portion of the company profit, this will not exceed (10%) of the net profits after deducting the reserves determined by the general assembly in line with the provisions of the Cooperative Insurance Companies Control Law, Companies Law and these articles, and after distribution of no less than (5%) of the company paid up company, provided that the accrual of this remuneration is proportional to the number of sessions that a member attends, and every estimation contrary to these rules will be void.

3- The total amounts of rewards and benefits whether financial or in kind shall by no means exceed an amount of (SR 500,000) five thousand Saudi Riyals per year (except for the auditing committee) subject to the controls set up by CMA.

4- Report of the board of directors to the ordinary general assembly shall include a comprehensive statement showing all remunerations, expenses allowances and other benefits that the board members obtained during the fiscal year, and this shall include a statement of what the board members received in their capacity as workers or administrators, and what they received against technical or administrative works or advices,



and this shall also include a statement of the number of sessions of the board, and the number of sessions that every member attended from the last meeting of the general assembly.

Article No (20): Authorities of the Chairman of the Board of Directors, His Membership Term, and Membership of the Deputy Chairman, Managing Director and Secretary:

Board of Directors appoint from among its members a chairman, and a deputy chairman and a CEO, and it may appoint a managing director, and it is not allowed to hold jointly the position of Chairman of the Board of Directors and any executive position in the company. Chairman of the board of directors may sign for the company and implement the board decisions, and the chairman is concerned with representing the company before judiciary, the arbitration panels and others. Chairman of the Board of Directors may, pursuant to a written decision, authorize some of its authorities to other members of the board or to third parties to proceed specific work or works. The board determines the salaries, allowances and rewards for the chairman of the board of directors and the managing director according to provisions of Article No (19) hereof, and the board shall appoint a secretary for the board. The board may also appoint a consultant or more in different affairs of the company, and the board determines their rewards. Term of membership of the chairman of the board, and of his deputy, the managing director and the secretary shall not exceed their membership term in the board and they may be reelected, and



the board may terminate them or any of them at any time without violation of the right of the person terminated if termination is made unlawfully or at improper time.

Article No (21): The Board Meetings:

The board meets upon an invitation may by its chairman, and the board chairman shall invite for a meeting once this is requested by two of the members, and the invitation shall be documented in the way that the board deems relevant. Meetings of the board are held periodically and as needed, provided that annual meetings are not less than(4) meetings; and in a way that one meeting at least is held every three months.

Article No (22): Quorum of the Board Meetings:

1- Board of the meeting is only valid if it is attended by (half of the members at least), provided that the number of the attendees is not less than three.

2- If the conditions required for holding the board of directors meeting due to shortage of the number of its members from the minimum limit specified in this law, the other members shall invite the ordinary general meeting to be held within sixty days to elect the required number of members.

3- Pursuant to a resolution from CMA the ordinary general assembly may be invited to be held in case that the number of the board members is less than the minimum number required for holding a valid meeting.

4- Member of the board of directors may not delegate others to attend the meeting, and except for that, the member of the board of directors may delegate other members.

5- Decisions of the board are issued with majority of the opinions of the members present or represented in it, and upon equality of the opinions the party of the meeting chairman will have the casting vote.

6- The board of directors may issue decisions in urgent matters by presenting them to the members severally (separately) unless one of the members requests, in writing, holding of the board for deliberation, and in this case these decisions will be presented to the board of directors in its first next meeting.

Article No (23): The Board Deliberations:

Deliberations and decisions of the board are registered in minutes signed by the chairman of the board, attending members of board of directors and the secretary and these minutes are noted down in a register signed by Chairman of the board of directors and the secretary.



Article No (24): Agreements, Contracts, Interests Conflict and Company Competition:

1- The company may, after obtaining no objection from the Saudi Central Bank, conclude an agreement for managing the technical works with one or more of the companies qualified in the field of insurance.

2- Member of the board of directors may not have any direct or indirect interest in the works and contracts achieved for account of the company without a license from the ordinary general assembly, and the member of the board of directors shall inform the board of the direct or indirect interest it has in the works and contracts calculated for account of the company, and this notification shall be stated in the meeting minute.

3- This member may not participate in the voting on the decision issued in this concern at the Board of Directors and the shareholders assemblies.

4- The Chairman of the board of directors inform the ordinary general assembly upon holding it, of the works and contracts in which one of the members of the board will have a direct or indirect interest, and the notification will be accompanied by a special report from the company external auditor.

5- If the board member does not disclose his interest, the company or any interested party may claim to the concerned judicial entity for nullification of the contract or to oblige the member to pay back any profit or benefit attained by him as a result of that contract.



6- Responsibility for the damages caused by the works and contracts as referred to in clause No (1) hereof shall be borne by the member having interest from the work or the contract, and by members of the board of directors if such works or contracts are made in violation of the provisions of that clause, or if they are proven to be unjust or involve conflict of interest and cause damage to shareholders.

7- Members of the board of directors objecting the resolutions will be discharged from responsibility whenever they prove that they objected the decision explicitly in the meeting minute, and absence from the meeting in which the decision was issued will not be considered as a reason for relieving a member from responsibility unless it is proven that the absent member did not know about the decision or was not able to object it after knowing about it.

8- Member of the board of directors may not participate in a work which may compete the company or compete it in one of the branches of the activities it practice, and otherwise the company has the right to claim from him before the concerned judiciary to pay the relevant compensation unless he has a former license from the ordinary general assembly, renewable every year, allowing him to do so.



The Fifth Chapter Shareholder Assemblies

Article No (25): Attending Assemblies:

1-The general assembly which is constituted in the right way represents all shareholders and it is convened in the city where the company head office is located.

2- Every shareholder regardless of the number of his shares, has the right to attend the general assembly of shareholders, and the shareholder may appoint another shareholder who is not a member of the board or a company employee to be his attorney and act on his behalf in attending the general assembly. The general assembly of the shareholders may be held and shareholder may attend and share in their deliberation, and he must sign it s decisions through modern new technological ways and according to the controls set up by the Capital Market Authority.

Article No (26): The Constitutional Assembly:

Founders invite all subscribers to hold a constituent assembly within forty five (45) days from date of decision closing subscription to the shares, provided that the period between date of invitation and date of holding the meeting shall not be more than ten days.

2- Each subscriber - no matter how many shares he has, has the right to attend the constitution assembly. For the meeting to be valid, it is required to be attended by a number of subscribers constituting half of the capital at least. However, if this quorum is not fulfilled, an invitation will be made to a second meeting after one hour from date of end of

the period determined for holding the first meeting, and the invitation for the first meeting must indicate that there is possibility for holding this meeting, and in all cases the second meeting will be valid regardless of the number of subscribers represented in it.

Article No (27): Authorities of the Constitutional Assembly:

The constitutional assembly is concerned with the following matters:

- a) Verifying subscription to all shares of the company and fulfilling minimum limit of the capital, and with the accrued amount of the share value according to provisions of the law.
- b) Deliberation about report of assessment of the in-kind shares.
- c) Acknowledging the final provisions of the company's Article of Association provided that no material amendments are made to the law presented to it without consent of all shareholders represented in it.
- d) Appointing members of the first board of directors of the company for a period not exceeding (5) five years, and the first accounts auditor if they have not been appointed in the company's Articles of Incorporation or its Articles of Association.
- e) Deliberation in the founder reports about the works and expenses required for incorporation of the company and declaring it, and the Ministry of Commerce and Investment as well as Capital Market Authority may delegate a representative (or more) in his capacity as a controller of attending the general assembly of the company to ensure applying the law provisions.



Article No (28): Authorities of the Ordinary General Assembly:

Except for the matters which are under the authority of the extra ordinary general assembly, the ordinary general assembly is concerned with all matters related to the company, and it is convened once at least during the six months next to the end of the fiscal year of the company, and other ordinary general assembly meetings may be invited as needed.

Article No (29): Authorities of the Extraordinary General Assembly:

The extraordinary general assembly is concerned with the amendment of the Articles of Association of the company except for the matters that are not allowed to be amended according to the law, and it may issue decisions in the matters which are originally included within the authorities of the ordinary general authority according to the same conditions and situations determined for the ordinary general assembly.

Article No (30): Inviting the General Assemblies

1-The general or special assemblies of the shareholders are convened according to an invitation by the board of directors, and the board of directors shall invite the general assembly to meet if so is requested by the accounts auditor, the auditing committee or a number of shareholders representing (5%) of the capital at least. The accounts auditor may invite the assembly to convene, if the board does not invite the assembly during thirty (30) days from date of the request of the auditor.



3- Pursuant to a decision by the Capital Market Authority, the ordinary general assembly may be invited to hold in the following cases:

a) If it does not hold a meeting till elapse of the period determined for holding the meeting (during the first six months next to end of the company's fiscal year).

b) if the number of the member of the board of directors is less than the minimum number determined for holding the meeting.

c) if it is found out that there are violations to provisions of the law or the company Articles of Association or that there is a defect in the company management.

d) If the board does not make an invitation for holding the general assembly within fifteen days from date of demanding this by the auditor or the auditing committee or a number of shareholders constituting (5%) of the capital at least.

3) Shareholders constituting (2%) of the capital at least may submit an application to the Capital Market Authority to invite the ordinary general assembly to convene if any of the conditions stipulated in clause (2) herein is fulfilled, and CMA shall extend invitation for holding a meeting within thirty days from date of submitting the application of the shareholders provided that the invitation includes agenda of the assembly and the items required to be agreed upon by the shareholders.



4- This invitation as well as the agenda are published in a daily paper distributed in the area where head office of the company is located (21) days at least before the time fixed for holding the meeting, and a copy of the invitation and the agenda shall be sent to the Ministry of Commerce and Investment and a copy is sent to CMA. Nevertheless, it is sufficient to send invitation in the said appointment to all shareholders through registered letter and a copy of the invitation and the agenda will be sent to CMA during the period determined for publishing.

Article No (31): Assemblies Record of Attendance:

Shareholders intending to attend the general or special assembly shall register their names at the head office of the company before the time determined for holding the assembly.

Article No (32): Quorum of the Meeting of the Ordinary General Assembly

1- The meeting of the ordinary general assembly may not be valid unless it is attended by shareholders constituting at least quarter of the capital of the company.

2- If the quorum required for holding meeting of the ordinary general assembly is not attained subject to clause No (1) herein, an invitation will be extended to a second meeting to be held within the next thirty days, and the invitation shall be published according to the way stipulated in Article No (30) of this law. However, the second meeting may be held one hour after from end of the period specified for holding the first meeting provided that the invitation for the first meeting indicates possibility of holding this meeting, and in all cases, the second meeting will be valid regardless of the number of the shares represented in it.



Article No (33) Quorum of the Extraordinary General Assembly:

The meeting of the extraordinary general assembly is required to be attended by a number of shareholders constituting at least half of the capital so as to be valid.

1- The second meeting will be held one hour after end of the period determined for holding the first meeting provided that the invitation for the first meeting indicates that.

2- If the quorum required for holding meeting of the extraordinary general ordinary assembly is not attained subject to clause No (1) herein, an invitation will be extended to a second meeting to be held within the next thirty days, and the invitation shall be published according to the way stipulated in Article No (30) of this law. However, the second meeting may be held one hour from end of the period specified for holding the first meeting provided that the invitation for the first meeting indicates possibility of holding this meeting, and in all cases, the second meeting will be valid if it is attended by shareholders constituting (quarter) of the capital at least.

In all cases, the second meeting will be valid if it is attended by a number of shareholders constituting at least quarter of the capital.

3- If the required quorum is not fulfilled in the second meeting, an invitation will be directed to a third meeting which will be held according to the same conditions stipulated by Article No (30) hereof, and the third meeting will be valid regardless of the number of shares represented in it, after consent of CMA.



Article No (34): Voting in the Assemblies

Votes in the constitutional assembly and the ordinary and extraordinary general assembly on basis of a vote for each share, and accumulative voting shall be used in the election of the board of directors in a way that the right of voting of one share is not allowed to be used more than once. Members of the board of directors may not participate in voting on the decisions of the assembly related to discharging their liability for management of the company or that related to any direct or indirect interest they may have.

Article No (35): Resolutions of the Assemblies

Decisions in the constitutional assembly are issued according to absolute majority of the shares represented in it, and the decisions of the ordinary general assembly are issued by absolute majority of the shares represented in the meeting, and the decisions of the extraordinary general assembly are issued with the majority of two thirds of the shares represented in the meeting Nevertheless, if these decisions are associated with evaluation of special merits, consent of the majority of subscribers of shares constituting (two thirds) of the said shares shall be required after excluding shares subscribed to by persons benefiting from the special benefits. The decisions in the extraordinary general assembly are issued by two thirds of the shares represented in the meeting unless the decision has been connected with increase or decrease the capital, prolonging company term or resolving it before expiry of the term determined in its Article of Association, or by merging it with another company as in these cases it



will not be valid unless it is issued with a majority constituting three quarters of the shares represented in the meeting.

Article No (36): Discussion in Assemblies

Every shareholder has the right to discuss the subjects enlisted in the assembly agenda, and to ask questions in this regard to members of the board of directors and the auditor, and every provision in the company's articles of association is considered as void. Board of Directors or the auditor answer questions of the shareholders to the extent that causes no harm to interest of the company, and if shareholder thinks that answer to his question is not convincing, he will refer to the assembly, and its decision in this regard will be effective.

Article No (37): Assembly Chairmanship & Minutes Preparation:

1- The general assembly meetings will be presided by the chairman or his deputy in case of his absence or by the board representative among the board number in the event of the deputy chairman absence.

2- Minutes should be written for the general assembly meeting including the number of shareholders, number of shares in their possession whether for themselves or in the capacity of attorneys-in-fact, number of relevant votes, the decisions taken, number of approving or disapproving votes and a sufficient summary of the meeting's discussions. The minutes should be recorded on a regular basis following each

meeting in a separate register signed by the general assembly's chairman, secretary and vote collector.

The Sixth Chapter

Committees of the Board of Directors

Article No (38): Committees of the Board of Directors

Committees of the Board of Directors shall be formed according to the respective laws and regulations.

The Seventh Chapter

The Auditor

Article No (39): Appointing the Auditor:

The company should maintain one (or more) auditor who should be licensed to work in the Kingdom of Saudi Arabia. His tenure of service and compensation should be determined, and the assembly may re-appoint the auditor but his period of service should not exceed five consecutive years. The assembly shall always have the right to change him without prejudicing his right in the compensation if the change has taken place at an inappropriate time or for unlawful reason.



Article No (40) – Accounts Auditor’s Authorities:

The accounts auditor shall have the right at any time to review the company’s books, records and all other documents. Also, he shall have the right for this purpose to request the data and clarification that he may deem appropriate, to verify the company’s assets and liabilities and all other matters falling within the scope of his work. The chairman should facilitate duties of the accounts auditor. If the accounts auditor faces any difficulties while performing his duties, he shall enter the same in a report to be presented to the board of directors. If the board has not facilitated the accounts auditor report, he should ask the board of directors to summon the normal general assembly to look into this affair.

Article No (41): Obligations of the Auditor

The auditor shall present to the annual general assembly a report prepared according to generally accepted auditing standards which involving the company management attitude in relation to enabling him to obtain the data and notes he demanded, and the violations that he detected to the provisions of the Cooperative Insurance Companies Control Law and its implementing regulation and the other relevant laws, regulations and instructions and the company's Articles of Association, in addition to his opinion about fairness of the company's financial statements. The auditor will recite his report in the general assembly, and if the assembly decides to attest the report of the board of directors and financial statements without listening to the auditor report, its decision will be void.



The Eighth Company Accounts & Profits Distribution

Article No (42): Fiscal Year

The company's fiscal year starts on the first day of (January) and ends at the end of (December) of the same year, provided that the first fiscal year starts from date of the ministerial decision issued for announcing incorporation of the company and ends on (31) of December of the next year.

Article No (43): Financial Documents:

1- The board of directors shall, at end of every financial year, prepare the financial statements (the financial statements are composed of: the statement of financial position of the insurance transactions and shareholders, surplus (deficit) statement, insurance transactions, shareholders income statement, statement of equities, statement of cash flows of the insurance transactions and the statement of the cash flows of shareholders). The board shall also submit a report on the company activity and its financial position for the ended fiscal year, and the report also includes the way proposed for profits distribution. The board shall put these document under disposition of the auditor (45) days at least before the time determined for holding the general assembly.



2- Chairman of the board of directors of the company and its CEO and financial manager shall sign the documents mentioned in clause No (1), and copies thereof shall be deposited at the company head office under disposition of the shareholders twenty one (21) days at least before the time fixed for holding the general assembly.

3- Chairman of the board of directors shall provide shareholders with the financial statements of the company, the report of the board of directors, and the auditor report if they are not published in a daily paper distributed in the company's head office, and he shall also send these documents to the Ministry of Commerce and Investment and the Capital Market Authority fifteen (15) days at least before date of holding the ordinary general assembly.

Article No (44): Accounts of Insurance Transactions:

The accounts of the insurance transaction will be separate from the shareholders income statement according to the following details:

First: Insurance Transaction Accounts:

1- An account will be assigned to the acquired premiums and the reinsurance and other commissions.

2- An account will be assigned for the accounts incurred by the company.

3- At end of every year the total surplus which represents the difference between total installments and the compensations with the marketing, administrative and operative

installments and compensations and the necessary technical provisions deducted from it as per the instructions regulating this matter.

4- The net surplus can be determined as follows:

The return of investment of the insured shall be added to or deducted from the total surplus indicated in clause (3) above after calculating their returns and deducting revised expenses from them.

5- Distribution of the net surplus either by distribution of (10%) ten percent to the insured directly or by decreasing their installments for the next year, and (90%) ninety percent will be carried forward to the income accounts of the shareholders.

Second: Shareholders Statement of Income:

1- Profits of the shareholders come from the return of investing the money of shareholders according to the rules set up by the board of directors.

2- The share of shareholders from the net surplus will be according to provision of the fifth clause from the clause (first) paragraph of this article.

Article No (45): Zakat, Reserve and Profits Distribution:

The company shall:

1- Zakat and the lawfully prescribed tax shall be put aside.



2- (20%) of the net profits shall be put aside to constitute a statutory reserve, and the ordinary general assembly may stop this setting aside whenever the total reserve reaches hundred percent (100%) of the paid up capital.

3- Upon determining the portion of the shares in the net profit, the ordinary general assembly has the right to form other reserves to the extent realizing interest of the company or guarantees fixed profits as far as possible among shareholders.

4- Net annual profits of the company which are determined after deducting all general expenses and other costs of the company and forming the reserves required to encounter the doubtful debts and the losses of the investments and emergency liabilities that the board of directors deem necessary shall be distributed according to provisions of the Cooperative Insurance Companies Law and the provisions issued by the Saudi Central Bank, and balance of the profits which is equal to 5% will be assigned after deducting the prescribed reserves under related laws and zakat to be distributed among shareholders according to what is determined by the board of directors and the general assembly, and if the portion left from the profits accrued to shareholders is not sufficient to pay this portion, shareholders are not allowed to pay it in the next year or years, and the general assembly may not determine distribution of a ratio of profits which is more than what is proposed by the board of directors.

Article No (46): Entitlement to Profits:

Shareholder is entitled to his share in the profits according to the decision of the general assembly issued in this concern, and the decision states the date of accrual



and date of distribution, and the shares owners registered in the shareholders registered at end of the day determined for entitlement will be entitled to the profits. The company will inform the Capital Market Authority without delay of any decisions related to distribution of the profits or give instruction for that, and it will pay the profits determined to be distributed among shareholders at the place and times determined by the board of directors according to the instructions issued by the concerned entity, bearing in mind the prior written consent of the Saudi Central Bank.

Article No (47): The Company Losses:

If the joint stock company losses reach half of its paid up capital at any time, during the financial year, each officer of the company or the accounts auditor should, as soon as he knows about that, inform the chairman, and the chairman should in turn inform the board members of the event, and the board of directors shall, within fifteen (15) days from knowing about that call the extraordinary general assembly to meet within forty five (45) days from the date of knowing of the losses to decide whether to increase or reduce the capital pursuant to provisions of the Companies Law, to the extent that losses are lowered to less than half of the company's capital, or to dissolve the company before the time set out in its articles of association. The assembly's decision shall be published at all instances on the website of the Ministry of Commerce and Investment, and the company shall be considered as defunct by the force of the Companies Law if the general assembly has not held a meeting



during the term mentioned hereinabove, or if it has convened and it was difficult for them to issue a decision on the subject, or if a decision is taken for increasing the capital, in accordance with the situations mentioned in this article, but no subscription is made to all capital increase within ninety (90) days of issuing the assembly's decision for the increment.

The Ninth Chapter

Disputes:

Article No (48): The Company Responsibility:

The company commits to all works and acts carried out by the board of directors even if they are outside its authorities unless the concerned person acts on bad faith basis, or knows that these works are outside authorities of the board.

Article No (49): Responsibility of Members of the Board of Directors:

1- Members of the board of directors will be jointly responsible for compensating the company, the shareholders or the third parties for the damage arising out of mishandling by them of the company affairs or their violation of the provisions of the Cooperative Insurance Companies Control Law and its implementing regulation and the other related laws, regulations and instructions and these articles of association, and any condition stipulates otherwise will be considered as void. Responsibility will be borne by all members of the board of



directors if the error arises out of a decision issued by them unanimously, while disapproving or objecting members will not be held responsible for decisions issued according to majority of the opinions as long as they prove their disapproval explicitly in the meeting minute. Absence from attending the meeting in which the decision is made is not considered as a cause for relieving from responsibility unless it is proven that the absent member does not know about the decision, or that it was not possible for him to disapprove it after he knows about it.

2- Consent of the ordinary general assembly will not stop raising a liability claim.

3- The liability lawsuit will not be heard after elapse of three (3) years from date of finding out about the harmful act, and except for the two cases of fraud and forgery, the liability lawsuit will not be heard in all cases after elapse of five (5) years from date of expiry of the financial year during which the harmful act occurred or three (3) years from date of expiry of the membership of the concerned member of the board of directors, whichever is latest.

4- Each shareholder has the right to raise the liability claim determined for the company against members of the board of directors if the error committed by them may cause a damage, and he shareholder may not raise the said lawsuit unless the company still has the right to raise it, and the shareholder shall



inform the company of his intention to raise the lawsuit while his right shall be restricted to claim for compensation for the private damage that happened to him.

5- The company may bear the following expenses incurred by the shareholder for raising the lawsuit regardless of its results according to the following conditions:

- a- If he raises the lawsuit on good faith basis.
- b- If he proposes to the company the cause for which he raised the lawsuit and he received no reply for that within thirty days.
- c- If raising this lawsuit is in favor of the company according to provision of Article No (79) of Companies Law.
- d- If the lawsuit is based on valid grounds.

The Tenth Chapter

The Company Liquidation

Article No (50): The Company Termination

1-The Company shall enter the phase of liquidation as soon as it has become defunct, and shall retain its body corporate character to the extent needed for the liquidation.



2- The decision for voluntary liquidation will be issued by the shareholders or the general assembly.

3- The liquidation decision shall include appointment of the liquidator and identification of his authorities, remuneration, and the restrictions on his powers and the time period required for the liquidation. The period of voluntary liquidation should not exceed five (5) years and must not be extended for more than this period without a judicial order.

4-The power of the company's board of directors shall expire upon its dissolution. Nevertheless, board members shall remain responsible for the company's management and are considered towards the others as liquidators until the liquidator is appointed. The shareholders assemblies shall keep their authorities that do not conflict with the liquidator's authorities during the liquidation period. The right of parties sharing the surplus of insurance operations and the accumulated reserves shall be observed in the liquidation according to provisions of the two articles (44) and (45) hereof.



The Eleventh Chapter

Final Provisions

Article No (51) : The Corporate Law

The Law of Cooperative Insurance Companies Control and its implementing regulations, and the Companies Law and its regulations and the other related laws, regulations and instructions shall be applicable for all matters not provided for in these articles.

Article No (52)

These articles are to be deposited and published as provide for in the Companies Law and its regulations.