

**Articles of association of Arabian Shield  
Cooperative Insurance Company  
A Saudi Joint Stock Company**

## Chapter 1

### Company Establishment:

#### **Article 1: Incorporation:**

The company was established in accordance with the provisions of the Cooperative Insurance Companies Monitoring System, the Companies System, the Capital Market System and its executive regulations, and the basic system of the company. It is a Saudi joint-stock company established among the shareholders as outlined below.

#### **Article 2: Company Name:**

Arabian Shield Cooperative Insurance Company, a Saudi joint-stock company.

#### **Article 3: Company Objectives:**

The company engages in cooperative insurance activities and all related matters, including general insurance, medical insurance, and protection and savings insurance. The company may also undertake all necessary activities to achieve its objectives, whether in the insurance field or investment of its funds. The company has the right to own, mobilize, sell, exchange, or lease fixed and cash assets directly or through companies it establishes, acquires, or participates in. The company shall conduct its activities in accordance with the provisions of the Cooperative Insurance Companies Monitoring System, its executive regulations, the applicable regulations, and rules in the Kingdom of Saudi Arabia, and after obtaining the necessary licenses from the relevant authorities, if required.

#### **Article 4: Participation and Ownership in Companies:**

The company may establish limited liability companies or closed joint-stock companies (provided that the capital is not less than five million Saudi Riyals), and it may also own shares and stakes in other existing companies or merge with them. It has the right to participate with others in establishing joint-stock or limited liability companies, provided that the companies it establishes, participates in, or merges with engage in similar activities to its own or financial activities that assist it in achieving its purpose. This is subject to complying with the regulations and instructions applicable in this regard and obtaining approval from the Saudi Arabian Monetary Authority.

### **Article 5: Company Headquarters:**

The main headquarters of the company shall be located in the city of Riyadh, Kingdom of Saudi Arabia. It is permissible, by a decision of the extraordinary general assembly, to relocate the main headquarters to any other city within the Kingdom of Saudi Arabia with the approval of the Saudi Arabian Monetary Authority (SAMA). The company may also establish branches, offices, or agencies within or outside the Kingdom of Saudi Arabia after obtaining approval from SAMA.

### **Article 6: Company Duration:**

The company's duration is ninety-nine (99) Gregorian years, starting from the date of its registration in the commercial register. The duration of the company may be extended by a decision of the extraordinary general assembly before the expiration of this period, for at least one year.

## **Chapter 2:**

### **Rules Governing the Company in Carrying Out Its Specific Activities and Purposes:**

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

The company shall invest the funds it accumulates from the insured and shareholders in accordance with the rules set by the board of directors, provided that such investment does not conflict with the Cooperative Insurance Companies Supervision System, its executive regulations, and any other regulations and instructions issued by the Saudi Arabian Monetary Authority (SAMA) or any other relevant authority.

## **Chapter 3:**

### **Capital and Shares:**

### **Article 8: Capital:**

The company's capital is SAR 798,152,950 (Seven Hundred Ninety-Eight Million One Hundred Fifty-Two Thousand Nine Hundred Fifty Saudi Riyals), divided into 79,815,295 (Seventy-Nine Million Eight Hundred Fifteen Thousand Two Hundred Ninety-Five) shares with a nominal value of SAR 10 (Ten Saudi Riyals) per share.

### **Article 9: Subscription in Shares:**

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

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

The company's shares shall be traded in accordance with the provisions of the Financial Market Regulation and its executive regulations.

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

The company's shares shall be nominative, and they shall not be issued for less than their nominal value. They may only be issued for an amount greater than their nominal value, in which case the difference in value shall be added as a separate item to the shareholders' rights. They shall not be distributed as profits to the shareholders. Shares are not divisible against the company. If a share is owned by multiple individuals, they must choose one of them to represent them in exercising the rights related to it. These individuals shall be jointly responsible for the obligations arising from the ownership of the share.

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

The company's shares shall be traded in accordance with the provisions of the Financial Market Regulation and its executive regulations.

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

1. The extraordinary general assembly may decide to increase the company's capital, subject to the approval of the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA), provided that the capital has been fully paid. It is not necessary for the capital to be fully paid if the unpaid portion of the capital pertains to shares issued in exchange for the conversion of debt instruments or financial document into shares and has not yet reached the specified period for conversion into shares.
2. The extraordinary general assembly may, in all cases, allocate the shares issued in the event of a capital increase or a portion thereof to employees of the company and its subsidiaries or any of them. Shareholders are not allowed to exercise their right of pre-emption when the company issues shares designated for employees.
3. Shareholders who own shares at the time the extraordinary general assembly approves the capital increase shall have priority in subscribing to the new shares issued against cash contributions. These shareholders

shall be notified of their priority, if applicable, through publication in a daily newspaper or by registered mail, with details of the capital increase, subscription conditions, duration, and start and end dates.

4. The extraordinary general assembly may suspend the exercise of the pre-emptive right of subscription for shareholders in the capital increase against cash contributions or give priority to non-shareholders in cases it deems appropriate in the company's interest.
5. Shareholders have the right to sell or transfer their pre-emptive rights during the period from the time the extraordinary general assembly approves the capital increase until the last day of subscription for the new shares associated with these rights, in accordance with the regulations set by the financial market.

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

1. The extraordinary general assembly may decide to reduce the company's capital if it exceeds the company's needs or if the company has incurred losses, subject to the approval of the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA). However, the paid-up capital of the insurance company after the capital reduction must not be less than SAR 300 million. The resolution for capital reduction shall only be issued after a statement is presented at the general assembly, prepared by the board of directors, explaining the reasons for the reduction, the company's obligations, and the impact of the reduction on meeting those obligations. This statement shall be accompanied by a report from the company's auditors. In cases where the general assembly approves the reduction, it may be sufficient to present the mentioned statement to the shareholders.
2. If the capital reduction is a result of exceeding the company's needs, the creditors must be invited to express their objections at least forty-five (45) days before the scheduled date of the extraordinary general assembly meeting to decide on the reduction. The invitation to creditors shall include a statement indicating the amount of capital before and after the reduction, the meeting date, and the effective date of the reduction. If one of the creditors objects and submits their documents to the company within the specified period, the company must settle its debt immediately if it is due or provide sufficient guarantee for future settlement if it is not due.
3. Equality among shareholders holding shares of the same type and class must be considered when reducing the capital.

## Chapter 4

### Board of Directors:

#### **Article 15: Management of the Company:**

The management of the company shall be entrusted to a board of directors consisting of eleven (11) members elected by the ordinary general assembly for a term not exceeding four years. In all cases, the board of directors' members must be natural persons. The composition of the board of directors shall reflect appropriate representation of independent members. In all cases, the number of independent board members shall not be less than three (3) members or one-third of the board, whichever is greater.

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

1. Board membership shall terminate upon the expiration of the term of appointment, resignation, death, or if it is proven to the board of directors that a member has violated their duties in a manner detrimental to the company's interests, provided that this is done with the approval of the ordinary general assembly. Membership may also terminate in accordance with any laws or regulations applicable in the Kingdom of Saudi Arabia, or if the member is declared insolvent or bankrupt, files for settlement with their creditors, defaults on their debts, suffers from mental illness or physical disability that may impair their ability to perform their role, or is convicted of a crime involving dishonesty or moral turpitude by a final judgment.
2. The ordinary general assembly, based on a recommendation from the board of directors, may terminate the membership of any member who has been absent from attending (three) consecutive meetings or (five) separate meetings without a valid excuse accepted by the board of directors during their term of membership.
3. The ordinary general assembly may at any time dismiss all or some members of the board of directors, taking into account any regulations set by the Capital Market Authority. In this case, the ordinary general assembly shall elect a new board of directors or those who will replace the dismissed member, as appropriate, in accordance with the provisions of the Companies Regulation and its executive regulations.

4. If a board member resigns and has concerns about the company's performance, they must submit a written statement to the chairman of the board, and this statement must be presented to the board members.
5. The Saudi Arabian Monetary Authority must be notified when any member of the board resigns or has their membership terminated for any reason other than the expiration of the board's term, within (5) five business days from the date of leaving office, taking into account the relevant disclosure requirements.

**Article 17: Expiry of the Board's Term, Resignation of Its Members, or Vacancy of Membership:**

1. Before the expiration of its term, the board of directors must call for the ordinary general assembly to convene for the election of a new board for a new term. If holding the election becomes impossible, and the current board's term has expired, its members shall continue to perform their duties until the election of a new board, provided that the continuation period for the outgoing members does not exceed ninety (90) days. The board of directors must take the necessary steps to elect a new board before the expiration of that period.
2. If the chairman and members of the board of directors resign, they must call for the ordinary general assembly to convene for the election of a new board. The resignation shall not take effect until the new board is elected, and the continuation period for the resigning board shall not exceed one hundred and twenty (120) days. The board of directors must take the necessary steps to elect a new board before the expiration of that period.
3. A member of the board of directors may resign from the board by submitting a written notice to the chairman of the board. If the chairman resigns, the notice must be directed to the remaining board members and the board's secretary. The resignation shall be effective from the date specified in the notice, in both cases.
4. If a position on the board of directors becomes vacant due to the death or resignation of a member and this vacancy does not lead to a deficiency in the necessary conditions for the validity of the board's convening due to a shortage of its members below the minimum required by the Companies Regulation or this Regulation, the board may appoint (temporarily) to fill the vacant position someone with the required expertise and competence, subject to obtaining the approval of the Saudi Arabian Monetary Authority. This appointment shall be reported to the Commercial Register and the Capital Market Authority

within fifteen (15) days from the date of appointment, and it shall be presented to the ordinary general assembly at its first meeting. The appointed member shall complete the term of their predecessor.

5. If the necessary conditions for the validity of the board's convening are not met due to a shortage of the required number of members as stipulated in the Companies Regulation or in this Regulation, the remaining members must call for the ordinary general assembly to convene within sixty (60) days to elect the necessary number of members.

#### **Article 18: Board of Directors' Powers:**

1. Within the limits of the authorities stipulated for the General Assembly, the Board of Directors shall have the broadest powers to manage the Company in a manner that achieves its objectives. This is with the exception of acts or transactions that fall within the jurisdiction of the General Assembly. The Chairman of the Board has judicial powers before all Sharia courts, the divan of Grievances, labor offices and labor committees, the Commercial Paper Committee, all other judicial committees, arbitration bodies, civil courts, police departments, commercial and industrial chambers, all companies, institutions, banks, commercial banks, public finance institutions under various names, and other creditors. The Chairman of the Board also has the right to approve, demand, defend, plead, litigate, settle, accept judgments, waive them, arbitrate, request execution of judgments, oppose them, receive amounts collected through execution, and discharge the Company's debtors from their obligations. Additionally, the Chairman of the Board has the right to contract and sign on behalf of the Company for all types of contracts, documents, and instruments, including but not limited to the Articles of Association of the companies in which the Company participates, along with all their amendments and appendices, and signing agreements and instrument in front of the notary public and official authorities. This includes loan agreements, guarantees, collaterals, instrument for the sale and purchase of real estate, issuing legal authorizations on behalf of the Company, and selling, buying, releasing, accepting, receiving, delivering, leasing, subleasing, payment, receipt, account opening, credits, withdrawals, and deposits at banks. The Chairman of the Board can also issue guarantees to banks, funds, and government finance institutions and sign all commercial papers, bills of exchange, checks, commercial papers, and documents, as well as all banking transactions. Within its jurisdiction, the Board may also delegate one or more of its



members or outsiders to carry out specific tasks, provided that it does not conflict with relevant regulations and rules.

2. The Board of Directors may contract loans of any duration, sell the Company's assets, pledge them, sell the Company's commercial premises or pledge them, or discharge the Company's debtors from their obligations unless this Regulation or decisions of the Ordinary General Assembly limit the powers of the Board of Directors in this regard.

**Article 19: Remuneration of Board Members:**

1. The Ordinary General Assembly shall determine the amount of remuneration for the Board of Directors based on the recommendation of the Nominations and Remuneration Committee. Remuneration shall be fair and commensurate with the qualifications, tasks, and responsibilities of each member of the Board of Directors.
2. The remuneration for Board members can be a fixed amount, an attendance fee for meetings, in-kind benefits, or a certain percentage of the net profits. Combining two or more of these benefits is also permissible.
3. The minimum annual remuneration for the Chairman and members of the Board of Directors shall be SAR 50,000 (Fifty Thousand Saudi Riyals) and the maximum shall be SAR 500,000 (Five Hundred Thousand Saudi Riyals) annually for their membership on the Board and participation in its activities. This includes additional remuneration in case a member participates in any committees established by the Board of Directors.
4. If the remuneration is a specific percentage of the company's profits, this percentage shall not exceed 10% of the net profits. This calculation should be made after deducting the reserves determined by the General Assembly in accordance with the provisions of the Cooperative Insurance Companies Control Regulations, the Companies Regulations, and this Regulation. After distributing profits to shareholders, the distribution shall not be less than 5% of the paid-up capital of the company. The entitlement to this remuneration should be proportionate to the number of meetings attended by the member.
5. The Board of Directors' report to the Ordinary General Assembly in its annual meeting should include a comprehensive statement of all remuneration, attendance fees, allowances, and other benefits received by each member of the Board of Directors during the fiscal year. It should also include a statement of any payments received by the Board

members for their work as employees or administrators or for technical or administrative services or consultations. Additionally, it should contain the number of Board meetings held and the number of meetings attended by each member since the last General Assembly meeting.

**Article 20: Powers of the Chairman, Vice Chairman, Chief Executive Officer, and Secretary:**

The Board of Directors shall appoint a Chairman and a Vice Chairman from among its members. A Chief Executive Officer may also be appointed, and it is permissible to appoint an Executive Member. The Chairman of the Board of Directors and any executive position in the company may not be held concurrently. The Chairman of the Board of Directors has the right to sign on behalf of the company and execute the decisions of the Board. The Chairman of the Board represents the company before the judiciary, arbitration bodies, and others. By written resolution, the Chairman of the Board of Directors may delegate some of his powers to other members of the Board or to external parties for the execution of specific tasks. The Board of Directors shall determine the salaries, allowances, and bonuses for the Chairman of the Board and the Executive Member in accordance with the provisions of Article 19 of this Regulation. The Board of Directors shall appoint a Secretary for the Board. The Board may also appoint one or more advisors for various company matters and determine their remuneration. The term of the Chairman, Vice Chairman, Executive Member, and Secretary shall not exceed the term of their membership on the Board. They may be re-elected, and the Board has the authority to remove them or any of them without prejudice to their rights to compensation if the removal is unjustified or at an inappropriate time.

**Article 21: Council Meetings:**

1. The council convenes upon the invitation of its president, and the council president must call a meeting when requested by at least two members. The invitation must be documented in a manner determined by the council.
2. Council meetings are held regularly and whenever necessary, with the condition that the annual meetings of the council should not be less than four (4) meetings, ensuring at least one meeting every three months.
3. The board of directors determines the location of its meetings, and they may be held using modern communication methods.

## **Article 22: Quorum for Council Meetings:**

1. A council meeting is not valid unless attended by six (6) members in person or by proxy, provided that the number of those present in person is not less than five (5), including an independent member.
2. If the necessary conditions for the convening of the board of directors are not met due to a lack of the minimum number of members required by this regulation, the remaining members must call for an ordinary general assembly meeting within sixty (60) days to elect the required number of members.
3. A member of the board of directors may not delegate someone else to attend the meeting, except for cases specified, in which a member of the board of directors may delegate another member.
4. Council decisions are issued by a majority of the votes of the members present or represented at the meeting, and in case of a tie, the side supported by the chairperson's vote prevails.
5. The board of directors may issue decisions on urgent matters by presenting them individually to all members unless one of the members requests a council meeting to discuss them in writing. These decisions are issued with the approval of the majority of the board members and are presented to the board of directors at its first meeting.
6. The board of directors' decisions take effect from the date of issuance, unless otherwise specified or under specific conditions.

## **Article 23: Council Deliberations:**

The deliberations and decisions of the council are documented in minutes signed by the session's chairperson, attending board members, and the secretary. These minutes are recorded in a special register signed by the board's chairperson and the secretary. Modern technology may be used for the signing and documentation of deliberations, decisions, and minutes.

## **Article 24: Agreements, Contracts, Conflicts of Interest, and Company Competition:**

1. The company, after obtaining the approval of the Saudi Arabian Monetary Authority, has the right to enter into an agreement to manage technical services with one or more qualified insurance companies.
2. A board member shall not have any direct or indirect interest in the business and contracts conducted on behalf of the company, except with the authorization of the ordinary general assembly (or the board of directors, as delegated by the assembly with the authority to grant such

authorization, in accordance with the relevant provisions). A board member must notify the board of any direct or indirect interest in the business and contracts conducted on behalf of the company, and this notification shall be recorded in the meeting minutes.

3. This member shall not be permitted to participate in the vote on the decision made in this matter in the board of directors and shareholders' meetings.
4. The chairman of the board of directors shall inform the ordinary general assembly, at its meeting, about the business and contracts in which a board member has a direct or indirect interest, accompanied by a special report from the external auditors of the company.
5. If a board member fails to disclose their interest, the company or any interested party may demand before the competent judicial authority the annulment of the contract or the obligation of the member to pay any profits or benefits obtained from it.
6. Responsibility for damages resulting from the actions and contracts referred to in paragraph (2) of this article lies with the member with an interest in the action or contract, as well as with the board members, if those actions or contracts are carried out in violation of the provisions of that paragraph, proven to be unfair, or involve a conflict of interest causing harm to the shareholders.
7. Board members who oppose a decision are exempt from liability when they explicitly document their objection in the meeting minutes. Absence from the meeting where the decision is issued is not a reason for exemption from liability unless it is proven that the absent member was unaware of the decision or was unable to object to it after becoming aware.
8. A board member is not allowed to engage in any activity that competes with the company or to compete with the company in any branch of its business unless granted prior authorization by the ordinary general assembly, renewed annually, allowing them to do so.

## **Chapter 5**

### **Shareholders' Assemblies:**

#### **Article 25: Attendance at Assemblies:**

1. The properly constituted general assembly represents all shareholders.
2. Every shareholder, regardless of the number of their shares, has the right to attend general shareholders' meetings and may delegate another person who is not a member of the board of directors or an employee of

the company to attend on their behalf. General shareholders' meetings may also be conducted using modern technology, and shareholders may participate in their deliberations and vote on resolutions according to the regulations established by the Capital Market Authority.

**Article 26: Ordinary General Assembly Powers:**

Except for matters within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly has authority over all matters related to the company and must convene at least once a year within six months following the end of the company's fiscal year. Additional Ordinary General Assemblies may be called whenever necessary. Among the powers of the Ordinary General Assembly is the appointment of the audit committee and the determination of its remuneration.

**Article 27: Extraordinary General Assembly Powers:**

The Extraordinary General Assembly has the authority to amend the company's articles of association, except for provisions prohibited from being amended as per the articles of association. It also has the authority to issue resolutions within the jurisdiction of the Ordinary General Assembly under the same conditions and procedures established for the Ordinary General Assembly.

**Article 28: Calling General Assemblies:**

1. General assemblies, whether ordinary or extraordinary, are convened by the board of directors. The board of directors must call the Ordinary General Assembly to convene within thirty (30) days from the date of a request by the auditor, the audit committee, a shareholder, or a group of shareholders representing at least ten percent (10%) of the company's shares with voting rights. The auditor may also call the assembly to convene if the board does not issue the call within thirty (30) days from the date of the auditor's request.
2. The Capital Market Authority may, by resolution, call for the Ordinary General Assembly to convene in the following cases:
  - A. If the specified period for convening the assembly (within the six months following the end of the company's fiscal year) has elapsed without it being convened.
  - B. If the number of board members falls below the minimum required for a valid meeting.
  - C. If violations of the provisions of the regulations or the company's articles of association are found or if there is a deficiency in the company's management.

D. If the board has not issued the call for the General Assembly to convene within thirty (30) days from the date of the request by the auditor, the audit committee, or a group of shareholders representing at least ten percent (10%) of the company's shares with voting rights.

3. This call and the agenda must be published at least twenty-one (21) days before the specified date for the assembly. The call must be published on the market's website, the company's website, and a copy must be sent to the Ministry of Commerce and also to the Capital Market Authority. However, it may suffice to send the call on the mentioned date to all shareholders by registered letters to their registered addresses in the shareholder register, or by announcing the call through modern technology means. A copy of the call and the agenda must be sent to the Capital Market Authority within the specified publication period.

**Article 29: Attendance Register for Assemblies:**

Shareholders who wish to attend the General Assembly, whether ordinary or special, shall register their names at the company's main office before the specified time for the assembly or through the means specified by the company in the invitation or on its website. General assemblies may be held in any city within the Kingdom or through modern technology means.

**Article 30: Quorum for Ordinary General Assembly Meetings:**

1. The Ordinary General Assembly shall not be validly convened unless attended by shareholders representing at least one-quarter (1/4) of the company's shares with voting rights.
2. If the necessary quorum for convening the Ordinary General Assembly, as per paragraph (1) of this article, is not met, a second meeting shall be called to convene within thirty (30) days following the date specified for the previous meeting. This call shall be made in the manner specified in Article (28) of this regulation. However, the second meeting may be held after one hour from the end of the period specified for the first meeting, provided that the call for the first meeting includes an announcement of the possibility of holding this meeting. In any case, the second meeting shall be valid, regardless of the number of shares represented therein.

### **Article 31: Quorum for Extraordinary General Assembly Meetings:**

1. The Extraordinary General Assembly shall not be validly convened unless attended by shareholders representing at least one-half (1/2) of the company's shares with voting rights.
2. If the necessary quorum for convening the Extraordinary General Assembly, as per paragraph (1) of this article, is not met, a second meeting shall be called to convene under the same conditions specified in Article (28) of this regulation. The second meeting may be held after one hour from the end of the period specified for the first meeting, provided that the call for the first meeting includes an announcement of the possibility of holding this meeting. In any case, the second meeting shall be valid, regardless of the number of shares represented therein.
3. If the required quorum is not met in the second meeting, a third meeting shall be called to convene under the same conditions specified in Article (28) of this regulation, and the third meeting shall be valid regardless of the number of voting rights represented therein, after the approval of the Capital Market Authority.

### **Article 32: Voting in Assemblies:**

Votes in ordinary and extraordinary general assemblies are counted on the basis of one vote per share. Cumulative voting must be used in the election of the board of directors, and the right to vote for a share may not be used more than once. Members of the board of directors are not allowed to vote on resolutions of the assembly that concern businesses and contracts in which they have a direct or indirect interest, or that involve conflicts of interest.

### **Article 33: Assembly Resolutions:**

Resolutions in the Ordinary General Assembly are issued by the majority of voting rights represented at the meeting. Resolutions in the Extraordinary General Assembly are issued by a majority of two-thirds of the voting rights of the shares represented at the meeting, except for resolutions related to the increase or decrease of the capital, the extension of the company's duration, the early dissolution of the company before the period specified in its articles of association, its merger with another company, or its division into two or more companies. In these cases, the resolution shall not be valid unless it is passed by a majority of three-quarters of the voting rights represented at the meeting.

### **Article 34: Discussion in Assemblies:**

Every shareholder has the right to discuss the items on the agenda of the assembly and to direct questions to the members of the board of directors and the auditors regarding these matters. Any provision in the company's articles that denies shareholders this right shall be invalid. The board of directors or the auditors shall answer the questions of the shareholders to the extent that it does not harm the company's interests. If a shareholder believes that the response to their question is unsatisfactory, they may refer the matter to the assembly, and the assembly's decision on this matter shall be binding.

### **Article 35: Chairing of Assemblies and Preparation of Minutes:**

1. The Ordinary General Assembly is chaired by the Chairman of the Board of Directors or his deputy in his absence, or by a member of the board appointed for this purpose in the absence of both the Chairman and his deputy. In the event that this is not possible, the General Assembly shall be chaired by someone appointed by the shareholders from among the members of the board or others through voting.
2. The General Assembly shall prepare minutes that include the number of attendees or representatives, the number of shares they hold either directly or by proxy, the number of votes allocated to those shares, the decisions taken, the number of votes in favor and against each decision, and a comprehensive summary of the discussions held during the meeting. The minutes shall be recorded regularly after each meeting in a special register signed by the Chairman of the assembly, its secretary, and the vote collector.

## **Chapter 6**

### **Committees Arising from the Board of Directors:**

#### **Article 36: Board Committees:**

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

## **Chapter 7**

### **Auditors:**

#### **Article 37: Appointment of Auditors:**

1. The General Assembly must appoint auditors (one or more) from among the licensed auditors in the Kingdom. The General Assembly shall



determine their compensation, term of service, and scope, and it may reappoint them, provided that the total duration of their appointment does not exceed the period stipulated by the regulations.

2. The General Assembly may remove auditors, without prejudice to their right to compensation for any damage suffered if they have a legitimate claim. The director or the Chairman of the Board of Directors shall notify the relevant authority of the decision of removal and its reasons within a period not exceeding five (5) days from the date of the decision.
3. Auditors have the right to resign from their duties by submitting a written notice to the company. Their duty ends on the date of submission or on a later date specified in the notice, without prejudice to the company's right to compensation for any damage it may incur as a result. Retiring auditors must provide the company and the relevant authority, upon submitting the notice, with a statement of the reasons for their resignation. The Board of Directors of the company must call the General Assembly to meet and consider the reasons for the resignation and appoint another auditor.

#### **Article 38: Powers of Auditors:**

Auditors have the right, at any time, to access the company's books, records, and other documents, and they may request the information and explanations they deem necessary to obtain. They also have the right to verify the company's assets and obligations and perform other tasks within their scope of work. The Board of Directors must facilitate their duties. If auditors encounter difficulties in this regard, they must document it in a report submitted to the Board of Directors. If the Board of Directors does not facilitate the auditors' work, it must request the General Assembly to consider the matter. Auditors may also issue this request if the Board of Directors does not do so within thirty (30) days from the date of the auditors' request.

#### **Article 39: Auditor's Obligations:**

Auditors must provide the annual General Assembly with a report on the company's financial statements prepared in accordance with the auditing standards approved in the Kingdom. The report should include the auditor's assessment of management's cooperation in providing the information and explanations requested and any violations of the provisions of the Companies Law, Cooperative Insurance Companies Control Law and its implementing regulations, other applicable laws, regulations, and instructions, as well as the company's Articles of Association. The auditor should also provide their opinion on the fairness of the company's financial statements. The auditor's

report or a summary thereof must be read at the annual General Assembly meeting of the company.

## **Chapter 8**

### **Company Accounts and Profit Distribution:**

#### **Article 40: Financial Year:**

The company's financial year starts on the first day of January and ends on the last day of December of each Gregorian year.

#### **Article 41: Financial Documents:**

1. At the end of each financial year, the Board of Directors must prepare financial statements, which include: The financial position of the insurance and shareholders' operations, The surplus (deficit) of the insurance operations, The income of the shareholders, The equity of the shareholders, The cash flows of the insurance operations, The cash flows of the shareholders. The Board of Directors must also prepare a report on the company's activities and its financial position for the past financial year. This report should include the proposed method for profit distribution. The Board must make these documents available to the auditors at least 45 days before the scheduled date for the annual General Assembly.
2. The Chairman of the Board, the CEO, and the Chief Financial Officer must sign the documents mentioned in paragraph (1). Copies of these documents must be deposited at the company's main office for shareholders' access at least 21 days before the scheduled date for the annual General Assembly.
3. The Chairman of the Board must provide shareholders with the company's financial statements, the Board's report, and the auditor's report after signing them, unless they have already been published through modern means of communication. This must be done at least 21 days before the scheduled date for the annual General Assembly. The Chairman must also deposit these documents as required by the regulations.

## **Article 42: Insurance Operations Accounts:**

The accounts of the insurance operations must be separate from the income statement of the shareholders. This separation should be detailed as follows:  
[Details of the separation are not provided in the text you provided.]

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

- 1- An account is allocated for earned premiums, reinsurance commissions, and other commissions.
- 2- An account is allocated for incurred company losses.
- 3- At the end of each year, the total surplus is determined, representing the difference between the total premiums and the paid losses, after deducting marketing, administrative, operational expenses, and necessary technical reserves according to the relevant regulations.
- 4- The net surplus is determined as follows:  
The surplus mentioned in paragraph (3) above is increased or reduced by the investment income attributable to policyholders, after deducting their returns and expenses.
- 5- The distribution of the net surplus is carried out either by distributing ten percent (10%) directly to policyholders or by reducing their premiums for the following year, while the remaining ninety percent (90%) goes to the shareholders' income accounts.

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

- 1- Shareholders' profits are derived from the investment returns on shareholders' funds in accordance with the rules set by the Board of Directors.
- 2- The shareholders' share of the net surplus is as stated in the fifth paragraph of the first item of this article.

## **Article 43: Zakat and Reserves:**

The company is required to do the following:

- 1- Avoid the payment of Zakat and income tax as mandated by the regulations.
- 2- Set aside (20%) of the net profits to create a statutory reserve. The ordinary general assembly has the authority to waive this requirement when the total reserve reaches (100%) of the paid-up capital.
- 3- The ordinary general assembly, when determining the shareholders' portion of net profits, can decide to create other reserves as needed to

serve the company's interests or ensure the distribution of fixed dividends to the shareholders to the extent possible.

- 4- The company shall distribute its annual net profits, as determined after deducting all general expenses, other costs, and the creation of reserves necessary to cover doubtful debts, investment losses, and contingent liabilities deemed necessary by the Board of Directors, in accordance with the regulations of the Cooperative Insurance Companies Control System and the regulations issued by the Saudi Arabian Monetary Authority. A portion, not less than (5%) of the paid-up capital, shall be allocated to be distributed to the shareholders according to the proposal of the Board of Directors and the approval of the general assembly. If the remaining portion of the profits due to the shareholders is insufficient to cover this percentage, shareholders are not allowed to claim it in the following year or years, and the general assembly is not allowed to distribute a percentage of profits exceeding what was proposed by the Board of Directors.

**Article 44: Profit Entitlement:**

Shareholders are entitled to their share of profits in accordance with the decision of the general assembly issued in this regard. The decision specifies the date of entitlement and the date of distribution. Profit entitlement rights belong to the owners of the registered shares in the shareholders' records at the end of the specified entitlement day. The company shall promptly notify the Capital Market Authority of any decisions regarding profit distribution or recommendations to do so, and it shall pay the profits scheduled for distribution to the shareholders at the locations and times determined by the Board of Directors, in accordance with the instructions issued by the relevant authority, with due regard to the prior written approval of the Saudi Arabian Monetary Authority.

**Article 45: Company Losses:**

If the company's losses reach half of the issued capital, the Board of Directors shall disclose this fact and any recommendations regarding those losses within sixty (60) days from the date they became aware of them. An extraordinary general assembly meeting shall be convened within one hundred and eighty (180) days from the date of knowledge to consider the company's continuation and to take any necessary measures to address or dissolve those losses.

## Chapter 9

### Disputes:

#### **Article 46: Company Liability:**

The company shall be bound by all actions and transactions conducted by the Board of Directors, even if they are outside its jurisdiction, unless the interested party has ill intentions or is aware that those actions are beyond the Board's jurisdiction.

#### **Article 47: Board of Directors' Liability:**

1. Board members shall be jointly responsible for compensating the company, shareholders, or others for damages resulting from their errors, negligence, or deficiencies in performing their duties or violations of the Cooperative Insurance Companies Control System, its executive regulations, other relevant laws, regulations, or instructions, and the company's bylaws. Any provision to the contrary shall be considered null and void. The responsibility falls on all board members if the decision is made unanimously. As for decisions made by a majority of opinions, opposing members shall not be held accountable if they explicitly express their objections in the meeting minutes. Absence from the meeting where the decision was made shall not be a reason for exemption from liability unless it is proven that the absent member was unaware of the decision or unable to object to it after being informed.
2. The company may file a liability lawsuit against board members for violating the provisions of the Cooperative Insurance Companies Control System, its executive regulations, other relevant laws, regulations, or instructions, or for errors, negligence, or deficiencies in performing their duties that result in damage to the company. The general assembly shall decide to file such a lawsuit and appoint a representative to represent the company in pursuing it. If the company is in the liquidation phase, the liquidator shall file the lawsuit. In case of any insolvency proceedings against the company pursuant to the insolvency law, the lawsuit shall be filed by the entity representing the company under the law.
3. The general assembly's approval is required to waive the liability of board members.
4. A shareholder or shareholders representing at least five percent (5%) of the company's capital may file a liability lawsuit on behalf of the company if the company fails to do so. The primary goal of filing the

lawsuit must be to safeguard the company's interests, the lawsuit must be based on a legitimate basis, and the plaintiff must have good intentions and be a shareholder at the time of filing the lawsuit.

5. To file the lawsuit mentioned in the fourth paragraph of this article, board members must have a clear intention to file the lawsuit at least fourteen (14) days before the date of filing.
6. Shareholders have the right to file personal lawsuits against board members if the error committed by the board members has caused them specific harm.
7. The competent judicial authority, upon the request of a shareholder, may impose on the company the expenses incurred in filing the liability lawsuit, regardless of its outcome, if the lawsuit is filed in good faith and it is in the company's interest to file such a lawsuit.
8. Except in cases of forgery and fraud, liability lawsuits shall not be heard under any circumstances after five (5) years have passed from the end of the company's fiscal year in which the harmful act occurred, or after three (3) years have passed from the end of the membership of the concerned board member, whichever is later.
9. A board member or manager of the company is considered to have fulfilled their duty in the decision they made or voted on in good faith, if the following are met:
  - (a) If they have no personal interest in the subject of the decision.
  - (b) If they have sufficiently informed themselves about the subject of the decision, taking into account the circumstances, to the best of their reasonable belief.
  - (c) If they firmly and reasonably believe that the decision is in the best interest of the company.

The burden of proving otherwise falls on the claimant. The term "decision" for the purposes of this article refers to any action or inaction related to the company's affairs.

## **Chapter 10**

### **Liquidation of the Company:**

#### **Article 48: Expiry of the Company:**

1. The company enters into liquidation as soon as its role in the liquidation process expires, and it retains the legal personality necessary for liquidation to the extent required.

2. The decision for voluntary liquidation is issued by the extraordinary general assembly.
3. The liquidation decision must include the appointment of the liquidator, specifying their powers, fees, restrictions on their authority, and the necessary time frame for liquidation. The optional liquidation period must not exceed three (3) years and cannot be extended beyond that without a court order.
4. The authority of the company's board of directors terminates upon its dissolution. However, board members remain in charge of managing the company and are considered as liquidators with respect to third parties until the appointment of the liquidator. The company's general meetings continue to exist during the liquidation period, and their role is limited to exercising their powers that do not conflict with the liquidator's authority.

## **Chapter 11**

### **Final Provisions:**

#### **Article 49: Company Regulations:**

The provisions of the Cooperative Insurance Companies Control System and its executive regulations, the Companies System and its regulations, as well as other relevant laws, regulations, and instructions, shall apply to all matters not mentioned in this bylaw.

#### **Article 50: Publication:**

This bylaw shall be deposited and published in accordance with the Companies System and its regulations.