

## Bylaws of Gulf Insurance Group (GIG) - Saudi Joint Stock Company

PUBLIC

### Gulf Insurance Group

A Saudi joint stock company | Paid-up capital 500 Million Saudi Riyals  
Licensed by No (TMN/25/20101) | Commercial Registration No.1010271203  
Head office building | 3528 King Abdullah Bin Abdulaziz Road, Al Nuzha District  
Unit No. 25 | Riyadh 12471 - 6378  
Toll free 8001160020 | Website [www.axa-cooperative.com](http://www.axa-cooperative.com)  
Regulated and Supervised by The Saudi Central Bank

### مجموعة الخليج للتأمين

شركة مساهمة سعودية | رأس المال 500,000,000 ريال سعودي  
مرخص لها برقم ترخيص (ت م ن/25/20101) | سجل تجاري رقم 1010271203  
المبنى الرئيسي | 3528 طريق الملك عبدالله بن عبدالعزيز حي النزهة  
رقم الوحدة 25 | الرياض 12471 - 6378  
الرقم المجاني 8001160020 | البريد الإلكتروني [www.axa-cooperative.com](http://www.axa-cooperative.com)  
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## Chapter (1) Incorporation

### Article (1) Incorporation:

Pursuant to the Cooperative Insurance Companies Control Law and its Implementing Regulations, Companies' Regulations, Capital Market Law and its Implementing Regulation, and these Bylaws, this Saudi joint-stock Company shall be incorporated among the shareholders as follows:

### Article (2) Company's Name:

Gulf Insurance Group (GIG) – Saudi Joint Stock Company

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

Carrying out insurance, re-insurance and all related activities such as (general insurance, medical insurance). The Company may carry out all related works for achieving its objectives. The Company shall carry out its activities as per the Cooperative Insurance Companies Control Law and its Implementing Regulation as well as the applicable laws and regulations in the Kingdom of Saudi Arabia subject to obtaining the required licenses from the competent authorities, if any.

### Article (4) Merge & Acquisition:

The Company may establish one-person limited liability or joint stock companies. It may also acquire shares or stocks in other outstanding companies or merge therewith. It may also participate with third parties in establishing joint stock or limited liability companies, provided that the established or merged companies carry out similar activities or financial business or any activity allowing it to achieve its objects subject to fulfilling the applicable laws and regulations and obtaining Saudi Central Bank's No Objection.

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

The Company's registered office shall be located in Riyadh city, Kingdom of Saudi Arabia. The Extraordinary General Assembly may relocate the head office to any other city in the Kingdom of Saudi Arabia provided obtaining No objection of Saudi Arabian Monetary Authority, and may to establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia after obtaining No objection of Saudi Arabian Monetary Authority's . Article (6) Company's Term: The Company has been established for a period of (99) Ninety Nine Gregorian years commencing after being registered in the Commercial Registration. This term may be extended subject to a resolution issued by the Extraordinary General Assembly one year before the end of its term.

### **Chapter (2) Rules Governing Transacting Business**

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

The Company shall invest all amounts of the insured and company's shareholders as per the rules set by the Board of Directors in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations and other laws and related instructions issued by Saudi Central Bank or any relevant body.

### **Chapter (3) Capital and Shares**

#### **Article (8) Capital:**

The Company's capital is determined to be SR 500,000,000 (Five Hundred Million Saudi Riyals), divided into 50,000,000 shares (Fifty Million) Shares of equal value, the value of each share is SR 10 (ten Saudi Riyals) All shares are cash ordinary shares.

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

The shareholders have subscribed all company's shares and paid its full value.

#### **Article (10): Shareholders Register**

The Company's shares shall be traded as per the laws and regulations of the Capital Market Authority and its implementing regulations.

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

The Company's shares shall be nominal, not issued less than nominal values, but they may be issued for more than their value. In this case, the difference in value shall be recognized in a separate item under the shareholders' equities and may not be distributed as a profits to the Shareholders. The shares are indivisible in facing the Company. If several persons own the share, only one of them shall be authorized to represent others in exercising the related shares, and those persons shall be jointly responsible for the obligations resulting from the share title.

#### **Article (12) Trade of shares**

1- The shares subscribed by founders may not be traded before the publication of the financial statements for two fiscal years; each year shall not be less than (12) months after the date of incorporation subject to the approval of the Saudi Central Bank. The shares certificates shall specify their type, date of company's incorporation and the period during which the trade is prohibited.

2- Nonetheless, the ownership transfer of the shares may be made during the prohibition period in accordance with the provisions of sale of equities from one founder to another or to his heirs in case of his death to third parties, and in case of confiscating the bankrupt or insolvent founder provided that the priority of holding such shares shall be given to other founders.

3- The provisions of this Article shall apply to shareholders' subscribed shares in case of capital increase before the end of ban period.

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

1- The Extraordinary General Assembly may increase the capital after the approval of the Saudi Central Bank and the Capital Market Authority provided that the capital is paid up.

It is not required that the capital is paid up if the unpaid part of the capital is related to the shares issued against the conversion of debt or financing instruments into shares and the period prescribed for their conversion into shares does not expire.

2- The Extraordinary General Assembly may, in all cases, allocate the issued shares upon increase of the capital or part thereof to the employees in the Company and its affiliates, some thereof, or any thereof. Shareholders may not practice priority right when the Company issues the shares allocated for the employees.

2- The shareholder shall be given priority, after the Extraordinary General Assembly approves the capital increase, to subscribe to the new shares issued against cash shares. Those shareholders shall be informed of their priority, if any, by publication in daily newspaper or by registered mail for the resolution of capital increase, subscription conditions, term and starting and ending dates.

4- The Extraordinary General Assembly may suspend the shareholders' priority right to increase the capital against cash shares or giving preemptive right to non-shareholders if it deems that in the Company's best interests.

5- The shareholder may sell or assign the preemptive right after the Extraordinary General Assembly approves the capital increase till the last day for subscribing to the new shares related to such rights as per the conditions set by the concerned body.

### **Article (14) Capital Reduction:**

1- The Extraordinary Assembly may decide to decrease the capital if it exceeds the company's needs or if the company incurs losses, subject to the approval of the Saudi Central Bank and the Capital Market Authority provided that the capital paid to the insurance company after capital deduction shall not be less than SR 100,000,000 (one hundred million Saudi Riyals), and the capital paid to the re-insurance or insurance company that carries out re-insurance at the same time shall not be less than SR

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200,000,000 (two hundred million Saudi Riyals). The decision of reduction shall not be made except after the auditor's report on the reasons and liabilities of the company and the reduction impact on these liabilities is read out.

3- If the reduction is caused by any increase of capital over the company's need, the creditors shall then be called to submit their objections within sixty days from the issue date of reduction decision in a daily newspaper distributed in the country where the company's head office is located. If any of the creditors has objections and submits to the company his supporting documents on the mentioned date, the Company must then pay its debt at sight or provide a sufficient guarantee if not yet due.

#### **Article (15) Company's Management:**

The Company shall be managed by a Board of Directors composed of (8) members elected by the General Assembly for a period not exceeding (3) three years provided that Board members shall be no less than (5) 5 and shall be no more than (11) eleven. The formation of the board shall reflect independent member. In all cases, independent members shall not be less than two or one-third of the Board members, whichever is higher. As an exception, the constitutional assembly shall appoint the first board for at least 3 (three) years starting from the date of the Ministry of Commerce declaring the Company's incorporation.

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

1- Membership of a Board shall terminate upon the expiry of their term, resignation, death or if it proven that the employee breaches his duties in a manner that causes harm to the Company provided that the approval of the General Assembly shall be obtained or its membership shall be terminated as per any applicable laws and regulations in the Kingdom of Saudi Arabia or if he is absent for three consecutive meetings during one year without a reason accepted by the Board of Directors or if he is declared insolvent or bankrupt or submits a request to his creditors, stops paying his dues, loses capacity, becomes mentally incapacitated, or commits any immoral or illegal act or forgery under a final judgment.

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2- The General Meeting may, at all times, dismiss all or part of the Board without prejudice to his right to claim indemnification from the Company if the dismissal is for illegitimate reason or at inappropriate time and the Board member may resign provided that such resignation shall be at appropriate time. Otherwise, he shall be responsible before the Company for any implications entailed due to his resignation.

3- If a Board member resigns and has comments on the Company performance, he shall submit a statement thereof in writing to the Board Chairman. Such statement shall be forwarded to Board members.

4- The Saudi Central Bank shall be notified, upon the resignation of any Board member or termination of his membership for any reason other than the expiry of Board term within (5) five working days from the date of quitting and the related requirements for disclosure shall be observed.

#### **Article (17) Vacant Positions in the Board:**

1- If the position of a Board member becomes vacant, the Board may appoint a member temporarily to fill the vacancy subject to obtaining the Saudi Central Bank's No Objection regardless of votes acquired by directors during the election of the Board of Directors in the General Assembly. The Ministry of Commerce and Investment and the Capital Market Authority shall be notified accordingly within five (5) days from the date of appointment. The appointment shall be forwarded to the Ordinary General Assembly in its first meeting. The new member shall only complete the term of his predecessor.

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

1- Subject to the Board powers vested in the General Assembly, the Board of Directors shall have the fullest powers to manage the Company to achieve its objectives except as provided in the Companies Law or these Bylaws including works or acts within the powers of the General Assembly. The Board powers shall be as follows:

- Assuming responsibility for setting the Company's main philosophy, mission, vision, and general strategic objectives.
- Carrying out the recent professional and ethical practices in the industry.

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- Working on the basis of the rule of full awareness of Company's affairs with due diligence to achieve the best interests of the Company and its shareholders.
- Observing and evaluating the Company's performance in all aspects.
- Setting and following up an appropriate risk management system to specify and manage the different risks of the Company including the strategic, financial and operational risks and implementing a reliable system for internal controls to mitigate the different risks to an acceptable level.
- Supervising the major capital expenditures as well as acquisitions and sale of investments.
- Observing and rectifying any possible conflict of interest of the Board members and shareholders.
- Ensuring that written strict rules are set to combat fraud and deceit, deal with the suspects or detected fraud cases.
- Ensuring written official rules to control money laundry and terrorism finance activities.
- Ensuring other duties and powers as provided in the Bylaws.

The Board may also, within its powers, authorize one or more from its members or a third party to perform certain work(s) subject to the applicable laws and regulations.

2- The Board may also conclude loan contracts of whatever term, sell or mortgage the Company's assets, sell or mortgage the commercial office of the Company or discharge the Company's creditors unless these Bylaws provide or the Ordinary General Assembly issues what limits the powers of the Board of Directors in this regard.

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#### **Article (19) Remuneration of the Board Members:**

1- The remuneration of the Board members shall be a certain amount, an allowance for attending the sessions, in-kind benefits, a certain percentage of net profits, or combination of two or more of these benefits.

2- If remuneration is a certain percentage of Company's profits, such percentage shall not exceed 10% of the net profit after deducting the reserves approved by the General Assembly in accordance with the Cooperative Insurance Companies Control Law, Companies Laws and these Bylaws, and after distributing the profits to shareholders in less than 5% of the Company's paid-up capital provided that such reward shall be as per the number of meetings attended by the member. Each estimation to the contrary shall be rendered null and void.

3- In all cases, total remuneration of the Board of Directors including remunerations, and cash or in-kind benefits shall not exceed five hundred thousand Saudi Riyals (excluding the Audit Committee members) according to the controls set by the Capital Market Authority.

4- The report submitted by the Board of Directors to the General Assembly shall include a comprehensive statement on everything given to the Board of Directors during the fiscal year including remunerations, allowances, expenses, and other benefits in their capacity as employees or administrators or what they receive against technical or administrative works or consultations. The same shall also include a statement on the number of meetings attended by each member from the last date of the General Assembly.

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

The Board of Directors shall appoint, from among its members, a Chairman, Deputy Chairman, CEO and Managing Director. It shall not be allowed for any member to hold the presidency of the Board together with any executive position in the Company. The Chairman may sign on behalf of the Company and execute the Board resolutions, and represent the Company before legal authorities, arbitration panels and third parties. The Chairman may, by virtue of a written resolution, delegate part of his powers to any other member or a third party to do certain work(s). The Board shall determine the salaries, remunerations, and allowances of the Chairman and Managing Director as mentioned in Article 19 of these Bylaws.

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The Chairman shall appoint a Secretary or one or more advisors to run the Company's affairs and fix their remunerations. The term of the Chairman, Deputy Chairman, Managing Director, and Secretary shall not exceed the term of their membership in the Board, and they may be re-elected. The Board may, at any time, dismiss them or any of them, without prejudice to the right to compensation if the dismissal is made on an illegitimate ground or at inappropriate time.

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

The Board shall convene upon invitation by his Chairman whenever requested by at least two directors. The invitation shall be documented in the manner determined by the Board. The Board meetings shall be convened periodically whenever required provided that the annual meetings shall not be more than (4) that a meeting be convened every three months.

#### **Article (22) Quorum of the meetings:**

- 1- The Board meeting shall only be validly convened if attended by (at least half the number of members) provided that present members shall be no less than (3) three.
- 2- Unless the conditions required to convene the Board of Directors are met due to lack of members beyond the limit stipulated in these Bylaws, the remaining members shall convene the Ordinary General Assembly within sixty days to elect the required number of members.
- 3- The Ordinary General Assembly may, by a resolution from the Capital Market Authority, in case the Board members are less than the minimum limit required to hold the same.
- 4- A Board member may not delegate third parties to attend the meetings on his behalf. As an exception, a Board member may delegate other members to attend on his behalf.
- 5- The Board resolutions shall be issued by majority of the present members or representatives. In case of a vote tie, the side with whom the Chairman votes shall prevail.
- 6- The Board of Directors may issue resolutions on urgent matters by offering the same to members, unless a member requests, in writing, to convene the Board for deliberation. In

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such case, the resolutions shall be forwarded to the Board of Directors in the first subsequent meeting.

#### **Article (23): Board Deliberations**

The board deliberations and decisions shall be recorded in a minutes signed by the chairman and secretary. Such minutes shall be recorded in a special register signed by the chairman and secretary.

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

1- The Company may, subject to obtaining No Objection from the Saudi Central Bank, enter into agreement to manage technical services with one or more of the qualified companies in the field of insurance.

2- A Board member may not have direct or indirect interest in the contracts concluded for the interest of the Company except by permission from the Ordinary General Assembly. Member shall notify the Board of his direct or indirect interest in the businesses and contracts concluded for the interest of the Company. Such notification shall be recorded in the minutes of the meeting.

3- Such member may not vote on any decision issued in this regard in the Board of Directors and Shareholders Assemblies.

4- The Chairman of the Board at the Ordinary General Assembly shall be notified when held for businesses and contracts in which a Board member has direct or indirect interest. Such notification shall be accompanied by a special report from the Report of the Company's external auditor.

5- In the event that a Board member fails to disclose his interest, the Company or each stakeholder may claim before competent judicial authority to annul the contract or oblige the member to pay any profit or benefit made achieved thereto.

6- The responsibility for the damage resulting from businesses and contracts referred to in Paragraph (1) of this Article shall be laid on the Board members if such businesses or

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contracts are concluded in breach of the provisions of such Paragraph, if it is proven to be unfair or if it contains conflict of interests and afflicts damage to shareholders.

7- The Board members objecting to the resolution shall be relieved from responsibility whenever they explicitly record their objection in the minutes of meeting. Absence from meeting in which a resolution is issued shall not be deemed a reason for relieving from responsibility unless it is proven that the absent member does not know about the resolution or was not able to object thereto after he had been aware thereof.

8- A Board member may not participate in any business competing with the Company or competing with the Company in a branch of its activity. Otherwise, the Company may claim him before the competent judicial authority for appropriate compensation unless he obtains a prior permission from the Ordinary General Assembly, that is renewable every year, allowing him to do so.

## Chapter (5) Shareholders' Assemblies

### Article (25) Attendance of General Assemblies:

1- The General Assembly shall be validly constituted if it contains all shareholders. The meetings shall be held in the city where the Company's head office is located.

2- Each shareholder, regardless of their shares, may attend shareholders' General Assembly and delegate any other person who is not a member or employee of the Company to attend the General Assembly. Shareholders' General Assemblies may be convened, and the shareholders may participate and vote on the decisions using the modern technology means as per the procedures set by the Capital Market Authority.

### Article (26) Constitutional Assembly:

1- Founders shall invite all subscribers to convene a Constitutional Assembly within (45) forty-five days after closing date of subscription provided that the interval between date of convening and date of holding shall not be less than ten days.

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2- Each subscriber, regardless of their shares, may attend the Constitutional Assembly. The meeting shall be validly held only if attended by shareholders representing half of the capital. If this quorum is not reached, a call for another meeting shall be sent after 15 days from sending the invitation. However, the second meeting may be held after one hour from the end of the period determined for convening the first meeting. The call for the first meeting shall include the possibility of holding such meeting. In all cases, the second meeting shall be valid regardless of the attended subscribers.

#### **Article (27) Powers of the Constitutional Assembly:**

The Constitutional Assembly shall:

- 1- Assure subscribing all capital and the minimum limit of the capital with the due amount of the share value pursuant to the provisions of the Law.
- 2- Make deliberation in the in-kind share evaluation report.
- 3- Approve the final provisions of the Company's Bylaws provided that no material changes shall be made to the law submitted thereto unless the approval of all subscribers is obtained.
- 4- Appoint the members of the First Board for five years and the first auditor if they are not appointed under the Company's Articles of Association or Bylaws.
- 5- Deliberate in the founders' report on the businesses and expenses required by the incorporation of the Company. The Ministry of Commerce and Investment and the Capital Market Authority may send one or more (representatives) as an observer to attend the Company's Constitutional Assembly to ensure that the provisions of the Law be applied.

#### **Article (28) Powers of the General Assembly**

Except for the issues related to the Extraordinary General Assembly, the Ordinary General Meeting shall deal with company-related issues and shall be convened at least once a year during the six months that follow the end of the Company's fiscal year. Other Ordinary Meetings may be convened whenever necessary.

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### Article (29) Powers of the Extraordinary General Assembly

The special general meeting shall be competent to amend the Company law, except for the stipulations whose adjustment is regularly prohibited. In addition, the special general meeting may issue resolutions for internal issues under the regular general meeting specialization in the same conditions determined to the regular General Assembly.

### Article (30) Summon for the General Assembly:

1- The Shareholders' General Meeting shall be convened by the Board of Directors. The Board of Directors shall convene the Ordinary General Meeting at the request of the auditor, Audit Committee, or a number of shareholders representing at least 5% of the capital. Such auditor may convene the meeting if the Board does not within 30 days from his request.

2- The Ordinary General Assembly may, by virtue of a resolution of the Capital Market Authority, be convened in the following cases:

- (a) If the period prescribed for holding expires (during the six months following the end of the Company's fiscal year) without being held.
- (b) If the Board members are less than the minimum limit for convening.
- (c) If it is found that there are violations of the provisions of the Law, Bylaws, or occurrence of a breach of Company management.

3- Unless the Board sends an invitation to convene the General Assembly within fifteen days from the date of the request of the auditor, Audit Committee or a number of shareholders representing at least (5%) of the capital.

4- A number of shareholders representing at least 2% of the capital may submit a request to the Capital Market Authority to convene the Ordinary General Assembly if any of the cases provided in Paragraph (2) of this Article is met. The Capital Market Authority may send the invitation within thirty days from the date of submitting the shareholders' request. Such invitation shall contain Assembly's agenda and the items requested to be approved by shareholders.

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5- This invitation shall be published in the official newspaper and in a daily newspaper distributed at the Company's head office at least (21) twenty-one days before the fixed meeting date and sending a copy of the invitation and agenda to the Ministry of Commerce and Investment and the Capital Market Authority. However, it is sufficient to send the invitation on the specified date to all shareholders by registered letters during the determined publishing period.

#### **Article (31) Attendance Registration of the Assemblies:**

Shareholders wish to attend at the regular or special general meetings shall record their names in the Company's head office before the date of the meeting.

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

1- The Ordinary General Assembly shall not be valid unless attended by shareholders representing at least quarter of the capital.

2- If this quorum is not met in the first meeting, an invitation to another meeting shall be required to be convened within (30) days following the previous meeting. The invitation to the meeting shall be published according to the manner set forth in Article (30) hereof. However, the second meeting may be held after one hour of the end of the period determined for convening the first meeting. The call for the first meeting shall include what states the possibility of such meeting. In all cases, the second meeting shall be valid regardless of the attended subscribers.

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

1- The Extraordinary General Assembly shall not be validly convened unless attended by shareholders representing at least half of the capital.

2- If this quorum is not met in the first Meeting, an invitation to another meeting shall be necessary to be convened with the same terms and conditions mentioned in Article (30) hereof. The second meeting may be held after One Hour of the end of the period determined for convening the First meeting. The invitation to the First meeting shall

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indicate the possibility of holding such meeting. In all cases, the Second meeting shall be valid if attended by shareholders who represent at least a quarter of the capital.

3- If this quorum is not met in the Second Meeting, an invitation to third meeting shall be necessary to be convened with the same terms and conditions mentioned in Article (30) hereof. The Third meeting shall be valid regardless of the representing shares after the approval of the Capital Market Authority is obtained.

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

Votes of constitutional assembly and Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share. Voting may be for more than one time. The board of directors may not participate in voting the assembly's resolutions related to discharging them from their responsibility for managing the Company or related to direct or indirect interests.

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

Constitutional assembly shall issue its resolutions by absolute majority of shares represented in the meeting (higher quorum may be stipulated). However, if such resolutions stipulated on special benefits, the majority of subscribers representing Two quarters of the shares shall be obtained after eliminating what they subscribed from special benefits. Resolutions of the extraordinary General Assembly shall be passed with the majority of Two Thirds of the shares represented in the meeting, unless the resolution was related to increase or decrease of capital, the extension of the Company's term, the dissolving of the Company before expiration of its term specified in its law, or by merging it with another Company or organization. The decision shall not be legitimate unless issued by majority of three-quarters of the shares represented in the meeting.

#### **Article (36) Discussions at Assemblies.:**

Each shareholder has the right to discuss the subjects listed on the meeting agenda and address related questions to the Board of Directors and the external auditor. The board of directors or the auditor shall answer the shareholders' questions in a way that does not

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harm the Company's interest. If the shareholder deems that the answer to his question is not convincing, he may appeal to the meeting, and its decision in this regard would be effective and conclusive.

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

Shareholders' general meetings shall be presided by the chairman and in the event of his absence, the meeting shall be presided by vice chairman or any person elected by the board of directors. A minutes shall be prepared for the General Assembly, showing the number of Shareholders present or represented thereat, the number of shares owned personally or by delegation, number of votes designated for them, decision taken, number of approved or disapproved votes, and a sufficient summary for discussions taken place during the meeting. The minutes shall be recorded regularly following each meeting in a special register signed by the meeting chairman, Secretary, and the vote's adder. Chapter (6) Committees Stemmed from the Board.

#### **Article (38) Board Committees:**

The committees of the board of directors shall be composed as per the related laws and regulations.

### **Chapter (7) Auditor**

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

The General Assembly may appoint one or more auditors from among the auditors licensed to operate in the Kingdom of Saudi Arabia and determine their fees and term and to reappoint them provided that the total period of appointment shall not exceed five consecutive years. The auditors who spend such term may be re-appointed after two years lapse from the date of their expiry. The General Assembly may, at any time, change the auditors, without prejudice to their right to compensation if the change occurs at an inappropriate time or on illegitimate ground.

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#### **Article (40) The Auditor's Authorities:**

The auditor shall have the right at any time to access the Company books, records and other documents. He may request documents and explanations as seen necessary. He is also entitled to examine the Company's assets and liabilities and any other thing under his jurisdiction and the chairman shall allow him to perform his duties. If the auditor faced any hardships in this regard, he shall state that in the report submitted to the board of directors. If the board of directors didn't facilitate the auditor's works, he shall ask the board of directors to call the general ordinary meeting to settle this matter.

#### **Article (41) Obligations of the Auditors:**

The auditor shall submit a report to the General Assembly prepared as per the applicable audit standards including the Company's stance of obtaining the data and notes that he requests and all violations of the Cooperative Insurance Companies Control Law and its Implementing Regulations, other related laws, regulations and instructions as well as his opinion about the fairness of the Company's financial statements. The auditor shall submit his report to the General Assembly. If the General Assembly decides to approve the report of the Board of Directors and financial statements without listening to the auditor's report, its decision shall be invalid.

### **Chapter (8) Company's Accounts and Surplus Distribution**

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

The Company's First fiscal year shall start as at First of January each year and ends by the end of December of the same year., provided that the First financial year shall start after the Ministerial resolution by approving the transformation and ends on 31st December of the next Gregorian year.

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

1- The Board of Directors shall prepare, at the end of each financial year the financial statements (that include the statement of balance sheet for insurance operations and shareholders, statement of cash flows, insurance operations, statement of shareholders' income, statement of shareholders' equities, statement of cash flows for insurance operations and statement of shareholders cash flows and a report for the Company's activity and its balance sheet for the ended financial year. Such report shall include also the method suggested for distributing profits. The Board shall put the same under the disposal of the auditor at least (45) days prior to the date of the General Assembly.

2- The Chairman, Executive Chairman and Financial Controller shall sign the documents mentioned in Paragraph (1) and deposit a copy thereof at the Company's head office to be put under the disposal of the shareholders at least (21) days prior to convening the General Meeting.

3- The Chairman shall provide the shareholders with the financial statements, Board report, auditor report, unless the same is published in a daily gazette distributed in city where the Company's head office is located. A copy of such documents shall also be sent to the Ministry of Commerce and the Capital Market Authority at least (15) days prior to convening the General Meeting.

#### **Article (44): Insurance Operations Account:**

Insurance operations account shall be separate from the statement of shareholders' income as follows: First: Statement of Insurance Operations;

1. Assigning an account for the earned installments, commissions of reinsurance and other commissions.
2. Assigning an account for the damages incurred by the Company.
3. At the end of each year, total surplus that represent the difference between total installments and indemnifications less the marketing, administrative, operations expenses shall be assigned as well as required technical provisions as per the related instructions.

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4. The net surplus shall be determined as follows: The total surplus shall be added to paragraph (3) above or deduct what is assigned for the insured of investment return after calculating their returns and deducting the accrued expenses.

5. Distributing the net surplus, it shall be done either by distributing (10%) for the insured directly or by deducting their installments to the next year and forwarding (90%) to the statement of shareholders' income.

Second: Statement of Shareholders' Income:

- 1- Shareholders' profits from the return of investing the shareholders amounts shall be as per the rules set by the board of directors.
- 2- The share of shareholders from net surplus shall be as mentioned in paragraph (5) of item First of this article.

#### **Article (45) Zakat, Reserve and Shareholders' Profits:**

The Company shall, prior to distributing profits to the Shareholders, do the following:

1. Set aside the Zakat and stipulated Income Tax.
2. Set aside (20%) of the net profits as a statutory reserve and the General Assembly may stop such reserve if it reaches (100%) of the paid-up capital.
3. The Ordinary General Meeting may, at determining the share of the net profits, set other reserves in a value that fulfills the Company's interests or guarantees distributing fixed profits as much as possible for the shareholders.
- 4- The Company's net annual profits that are determined thereby shall be distributed after deducting all general expenses and other costs and forming the reserves required to encounter bad debts, investment losses and contingent liabilities which the Board deems necessary pursuant to the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, and the instructions issued by the Saudi Central Bank. The remaining profits shall be allocated after deducting the reserve prescribed under the related laws and Zakat in no less than 5% of the paid-up capital for distribution to shareholders as proposed by the Board of Directors and decided by the General Assembly. If the remaining percentage of profits payable to shareholders is not sufficient to pay such percentage, shareholders may not claim for payment in the next year(s). The

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General Assembly may not decide to distribute a percentage of profits in excess of what the Board of Directors proposes.

#### **Article (46) Entitlement in Profits:**

Each shareholder shall be entitled to their share of profits as per General Assembly resolution adopted in this regard. The decision shows the maturity date and the date of distribution. The owners of shares registered in the shareholder registers shall be eligible for profits by the end of the day fixed for the maturity. The Company shall inform the Capital Market Authority without delay of any decisions to the distribution of profits or so recommend. The dividends to be distributed to shareholders shall be paid in the place and dates determined by the Board of Directors, in accordance with instructions issued by the competent authority taking into account the prior written consent of the Saudi Central Bank.

#### **Article (47) Company's Losses:**

If the Company's losses reach half of the paid capital at any time during the financial year, the Company's officer or auditor shall, after being notified by the chairman, notify the chairman who shall notify the board members. The board of directors shall, within (15) days after that notification, call the special general meeting within (45) days of recognizing losses and to report increasing or decreasing the Company's capital pursuant to the companies regulations to the extent subject to which the losses exceed half of the paid up capital or dissolve the Company before its term as per companies regulations. The board decision shall be published, in all cases, at the website of the Ministry of Commerce and Industry. The Company shall be considered terminated if the General Assembly failed to convene within the period specified hereinabove or if it convened but failed to pass its resolutions in the above matter or if it decided to increase the capital as per the laws and provisions of this article even in case of they didn't subscribe in the capital increase within (90) days after the date of the board's resolution with increase.

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الرقم المجاني 8001160020 | البريد الإلكتروني [www.axa-cooperative.com](http://www.axa-cooperative.com)  
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## Chapter (9) Disputes

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

The Company shall abide by all works and acts taken by the board of directors even if it was not under its powers, unless the stakeholder has bad intention or know that such works are not within its powers and authorities.

### Article (49) Board of Directors Liability:

1- The Board members shall, jointly, indemnify the Company, shareholders or third parties and hold them harmless against all damages arising from improper management, violating the Cooperative Insurance Companies Control Law and its Implementing Regulations as well as other related laws, regulations and instructions. Each condition in violation of the same that shall be disregarded. All members of the Board of Directors shall be jointly responsible if this error occurs from the issuance of the resolutions by majority. As for the resolutions passed by majority, the rejected members shall not be responsible therefor if they explicitly record their objection in the minutes of the meeting. Failure to attend the meeting during which the decision is passed shall not be deemed a reason for relieving from liability unless the absent member proves that he does not know about the decision, or that he is not able to object to the same after he becomes aware thereof.

2- The approval of the Ordinary General Assembly of discharging the Board of Directors shall not preclude from filing a case of liability.

3- The case of liability shall not be heard after the lapse of (3) years from the date of discovery of the harmful act. Save as the cases of fraud and forgery, the case of liability shall not be heard in all cases after (5) years lapse from the end of the fiscal year in which the tort occurs or (3) years from the termination of membership of the respective Board member, whichever comes later.

4- Each shareholder shall have the right to file the case of liability prescribed for the Company against the Board members if the mistake committed thereby inflicts harm thereto. A shareholder may not file the mentioned case unless the Company still has the right to file the same. The shareholder shall notify the Company of his intention to file the case confining his right to claim compensation for the damage it sustains.

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#### مجموعة الخليج للتأمين

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## Chapter (10) Liquidation of the Company

### Article (50) Company's Dissolution:

- 1- The Company shall enter into liquidation upon termination and shall keep the legal personality required for liquidation.
- 2- The voluntary liquidation decision shall be issued by shareholders or General Assembly.
- 3- The liquidation decision shall include appointing a liquidator and determining its powers, fees, restrictions imposed on his powers, and period required for liquidation. The voluntary liquidation period shall not exceed (5) years and may not extended any more except with a judicial order.
- 4- The powers of the Board of Directors shall cease to be valid upon dissolution of the Company. However, the Board members shall continue to run the Company and are deemed like liquidators for third parties until a liquidator is appointed. The Company's departments shall continue to assume their powers to the extent that they be not in conflict with those of the liquidator. During liquidation, participants' rights to the surplus from insurance operations and reserves shall be considered according to Article (44) & (45) hereof.

## Chapter (11) Miscellaneous Provisions

### Article (51) Final Provisions:

Cooperative Insurance Companies Control Law and its Implementing Regulations, companies' regulations and other regulations, laws and instructions shall apply in anything not covered herein.

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**Article (52) Publication:**

This law shall be filed and published pursuant to companies's regulations and its Implementing Regulations.

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