

Company By-Law

Gulf Union Al Ahlia Cooperative Insurance Company

Saudi Joint Stock Company

CHAPTER (I)

Incorporation of the Company

Article (1) : Incorporation

It shall be incorporated in accordance with the provisions of cooperative insurance companies control law, the Companies Law, the Capital Market Law and its Implementing Regulations and the Articles of Association of the company, its shall be a Saudi Joint Stock company among the holders of shares, the provisions of which are stipulated below.

Article (2) : Name of the Company

Gulf Union Al Ahlia Cooperative Insurance Co, a Saudi Joint Stock Company.

Article (3) : Purpose of the Company

To conduct the works of cooperative insurance in the class of general insurance, health insurance and protection and savings insurance. The Company may conduct all business activities necessary to achieve its objectives and shall transact such activities in conformity with the cooperative insurance companies control law, its Implementing Regulations and the rules issued by the Saudi Central Bank “SAMA” and the laws and regulations applicable in the Kingdom of Saudi Arabia after obtaining all necessary licenses from the competent authorities, if any.

Article (4) : Participation with other Companies

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

Article (5) : Head Office of the Company

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

Article (6) : Duration of the Company

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

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

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

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

The capital of the Company is set at SR 458,949,280 (Four hundred Fifty Eight million and Nine hundred forty nine and Two hundred Eighty Saudi Riyals) divided into 45,894,928 (Forty Five million and Eight hundred Ninety Four thousand and Nine hundred Twenty Eight) shares having an equal nominal value of SR 10 (ten Saudi Riyals) each, all being ordinary cash shares.

Article (9) : Subscription to Shares

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

Article (10) : Shareholders Register

Shares of the company shall be traded in accordance with the rules of the Capital Market Law and its Implementing Regulations.

Article (11) : Issuance of Shares

Shares of the company shall be nominal and may not be issued in an amount less than their nominal value, but may be issued with a value higher than this value. In this latter case the value difference is added in an independent item within the shareholders' rights and may not be distributed among shareholders as profits. The shares is indivisible before the company, so if the share is owned by a number of people, they have to select one of them to represent them in using the rights related to such share and these persons shall be jointly responsible for the obligations resulting from the share ownership.

Article (12) : Shares Trading

- 1- The shares which are subscribed by the founders may not be traded except after publishing the financial statements for two fiscal years not less than 12 months as of the company incorporation date and after obtaining the approval of the Saudi central bank. The shares instruments shall be marked to indicate their type and indicate the company incorporation date and the period during which their trading is not allowed.
- 2- The shares, during the prohibition duration, may be transferred in accordance with the provisions of right sale from one founder to another, from the heirs of a founder in case of its death to third parties or in case of execution on the funds of the insolvent or bankrupt founder provided that the ownership priority of such shares is for the other founders.
- 3- The provisions of this article shall apply to the subscription by the founders in the event of capital increase prior to the expiration of prohibition duration.

Article (13)– capital Increase

- 1- The Extraordinary General Assembly may decide to increase the capital of the company after the approval of Saudi central bank and Capital Market Authority Provided that the capital is paid in full. However, it shall not be a condition that the capital is paid in full if the unpaid amount thereof is due to shares issued for converting debt instruments or financing bonds into shares and term for such conversion has not expired yet.
- 2- The Extraordinary General Assembly may, in all cases, allocate the shares issued upon the increase of the capital or a part thereof for the Company issuance of the shares allocated for the staff.
- 3- Upon the time of issuance of the general assembly decision of approval of capital increase, the shareholder holding the share shall have the priority to subscribe to new shares issued cash shares. Those shall be notified of their priority, if any, by publishing in a daily newspaper or by notifying them by registered mail of the

decision of the capital increase and conditions, period and commencement and expiration date of the subscription.

- 4- The extraordinary general assembly shall have the right to stop the priority right of the shareholders to subscribe to capital increase against cash shares or giving the priority to non-shareholders in the cases it deems appropriate for the benefit the subscription.
- 5- A shareholder shall have the right to sell the priority right or assign same during the period from the time of issuance of the decision of the general assembly of the approval of the capital to the last day of subscription to the new shares associated with such rights in accordance with the controls put in place by Capital Market Authority.

Article (14)– Capital Reduction

- 1- The extraordinary general assembly may issue a resolution to reduce the capital of the company if it is in excess of its needs or if the company sustains losses after the approval of the Saudi central bank and Capital Market Authority provided the capital paid to the insurance company after capital reduction is not less than hundred (100) million riyals and the capital paid to reinsurance company or insurance company conducting at the same time the works of reinsurance is not less than two hundred (200) million riyals. The reduction resolution shall only be issued after reading a special report prepared by the auditor on the reasons for such reduction, the company obligations, and the impact of the reduction on such obligations.
- 2- If the capital reduction is due to that it is in excess of the company's needs , creditors shall be invited to express their objections within sixty (60) days from the date of publishing the reduction in a daily newspaper distributed in the area where the company head office is located. If a creditor objects and submitted its documents within the time limit, the company should pay its debt if it is due or provide it with a sufficient guarantee if it is deferred.

CHAPTER (4)

Board of Directors

Article (15)– Company Management

The company shall be managed by a board of directors composed of seven (7) members to be elected by the ordinary general assemble for a period of not more than three years. The composition of the board of directors shall reflect an appropriate representation of independent members.

In all cases, the number of independent members of the board may not be less than two members or one third of the board members, whichever is greater. Exception to that, the constitutive assembly shall appoint the members of the first board of directors for a period not exceeding three (3) years commencing from the declaration date of the resolution of the ministry of commerce to incorporate the company.

Article (16)– Expiration of the Board Membership

- 1– The membership of the board of directors shall expire with the expiration of the term of the board resignation, death, or absence from three meetings during one year without a legitimate and accepted excuse, if the board of directors finds evidence that the member breaches its duties in a way that would harm the interest of the company on the condition that this would include the approval of the ordinary general assembly, with the expiration of its membership in accordance with any regulation or instructions in force in kingdom of Saudi Arabia, if ruled that its bankruptcy or insolvency be declared, if it applies for settlement with its creditors or stops payment of its debts, if it develops mental illness or physical disability that may lead to the inability the member to play its role fully, If it is established that it commits an act involving a breach of trust and morality or convicted of forgery under a final judgment
- 2– The Ordinary General Assembly may, at any time, dismiss all or part of the members of the Board of directors without prejudice to the right of a dismissed member towards the company to claim compensation if they are dismissed for an unacceptable reason or at inappropriate time. A Board member may step down, provided that this takes place at an appropriate time, otherwise such member shall be liable to the Company for the damage caused by stepping down.
- 3– If a member of the board of directors resigns and has comments on the performance of the company, it shall submit a written statement of same to the chairman of the board of directors. Such statement shall be presented to the members of the board of directors.
- 4– The Saudi central bank shall be notified upon resignation of any member of the board or termination of its membership for any reason upon the expiration of the term of the board within five (5) working days from the work leaving date and relevant disclosure requirements

Article (17)– Vacant position in the Board

If the position of a member of the Board of directors becomes vacant, the Board may temporarily appoint a member to fill the vacancy of those having sufficient experience and after obtaining the non-objection by the Saudi central bank and without considering the arrangement of obtaining the votes in the general assembly through which the board of directors has been elected , The ministry of commerce as well as the Capital Market Authority shall be notified within five (5) working days as from appointment date, and such appointment shall be laid before the first meeting of the Ordinary General Assembly. The new member shall only complete the term of predecessor.

Article (18)– Powers of the Board

Subject to terms of reference of the General Assembly, the Board of directors shall have the widest powers to manage the Company in a manner achieving its objectives except for the actions and acts within the competence of the general assembly that are covered under a special provision of the Companies law or these articles.

The board may also, within the limits of its competence, delegate one or more of its members or of third parties to conduct certain work or works in a manner consistent with the relevant laws and regulations.

The Chairman of the Board of Directors may, for example, but not be limited to, represent the company in its relations with third parties, governmental and private firms, courts, the Board of Grievances, labor and workers offices, the higher and primary committees for settling labor disputes, the Commercial notes Committee, all other judicial committees, arbitration bodies, civil rights, police departments, and chambers of commerce and industry. And all companies, institutions, banks, commercial banks, fiscal houses, all government finance funds and institutions with their various names and competences, and other lenders.

The Chairman of the Board of Directors has the right to acknowledge, demand, defend, plead, litigate, waive, conciliate, accept and deny judgments, arbitration, request execution of judgments and oppose them, collect what resulting from execution, enter into tenders, sell, buy and mortgage real estate.

The Chairman of the Board of Directors also has the right to contract and sign on behalf of the company and on its behalf all types of contracts, documents, including without limitation the contracts of incorporation of companies in which the company participates with all its amendments, appendices, amendment decisions and signing agreements and Sukuks before the notary public and official bodies, as well as loan agreements, safeguards, guarantees and Sukuks for buying and selling real estate, issuing legal powers of attorney on behalf of the company, selling, buying, emptying, accepting, receiving, delivering, renting, leasing, receiving and paying, opening accounts and credits, withdrawing and depositing with banks, issuing guarantees to banks, funds and government financing institutions, signing all papers, promissory notes, cheques, all commercial papers and documents, and all banking transactions.

The board of directors may also conclude contracts of loans regardless of their duration, sell or mortgage the assets of the company, sell or mortgage the commercial shop of the company or release the debtors of the company from their obligations unless these articles include anything or the ordinary general assembly issues anything restrict the powers of the board of directors in that.

Article (19)– Remunerations of the Board Members, Remunerations of Chairman of the Board of Directors and the Managing Director

- 1– The remuneration of members of the board of directors a specific amount or attendance allowance for the meetings, in kind benefits or a certain percentage of net profits. Two or more of such benefits may be combined.
- 2– If the remuneration is a certain percentage of the company profit, such percentage may not exceed (10%) of the net profits after deducting the reserves decided by the general assembly in implementation of the provisions of cooperative insurance companies control law, companies law and theses articles and after distribution of a profit to shareholders that is not less than (5%) of the company paid capital and the eligibility

for such remuneration shall be proportional to the number of meetings attended by the member and any estimation contrary to that shall be void.

- 3- In all cases, the total financial or in-kind remuneration and benefits obtained by the member of the board of directors shall not exceed the amount of five hundred thousand Saudi riyals annually (this excludes the members of the Audit committee) in accordance with the controls developed by the Capital Market Authority.
- 4- The report of the board of directors to the ordinary general assembly shall include a comprehensive statement of all remunerations, allowances for expenses and other benefits obtained by the members of the board of directors during the financial year. It shall also include a statement of what is received by the members of the board as workers or administrators or what they receive against technical or administrative works or consultation. It shall also include a statement of the number of the board meetings and the number of meetings attended by each member from the date of the last meeting of the general assembly.

Article (20)– Powers of Chairman of the Board of Directors and his Membership term, and the Membership of a Deputy, Managing Director and Secretary

The board of directors shall appoint from among its members a chairman, deputy chairman and shall appoint Chief Executive Officer. It may appoint a managing director. It is not permissible to combine. The chairman of the board of directors shall have the right to sign on behalf of the company and implement the decisions of the board. The chairman of the board of directors shall be concerned with representing the company before courts, arbitration bodies and third parties. By a written decision, the chairman of the board of directors may delegate some of its powers to other members of the board or third parties to conduct certain work or works. The board of directors shall determine salaries, allowances and remuneration for the both the board chairman and the managing director as stated in article (19) of these articles. The board of directors shall appoint a secretary of the board. The board may appoint one or more advisers therefor in the different affairs of the company and the board shall determine their remunerations. The term of the board chairman, its deputy, managing director and secretary shall not exceed the membership term of each one of them of the board. They may be re-elected. The board may, at any time, remove them or any them without prejudice to the right of the removed to compensation if the removal takes place without justifiable cause or at an inconvenient time.

Article (21)– Meeting of the Board

The Board shall meet at the invitation of its chairman. The chairman of the board shall convene the meeting whenever two members so request. The invitation shall be documented in the manner seen by the board. The meetings of the board shall be held periodically and as needed provided the number of the board annual meetings shall not be less than (4) meetings where shall be at least one meeting each three months.

Article (22)– Quorum of the Board Meeting

- 1– The board meeting shall be valid only if attended by at least half of the members on the condition that the number of the attendees shall not be less than at least three (3) members.
- 2– If the conditions required for holding the meeting of the board of directors are not met because the number of its members is below the minimum limit provided for in these articles, the remaining members shall convene the ordinary general assembly within sixty days to elect the required number of members.
- 3– By a decision of the Capital Market Authority, it is permissible to convene the ordinary general assembly in case the number of members of board of directors is below the minimum limit for its valid holding.
- 4– A member of the board of directors may not appoint a representative to attend the meeting. Exception to that, the member of the board of directors may delegate another member.
- 5– The decision of the board shall be issued by a majority of the members present or represented therein. In case of a tied, the chairman shall provide the casting vote.
- 6– The board of directors may issue decisions in urgent matters be presentation them to members separately unless a member requests in writing the meeting of the board to deliberate thereon. Such decisions shall be presented to the board at its first following meeting.

Article (23)– Deliberations of the Board

The deliberations and decisions of the board shall be recorded in minutes signed by the meeting chairman, members of the board of directors present and secretary. Such minutes shall be recorded in special register signed by the chairman of the board of directors and the secretary.

Article (24)– Agreements and Contracts

- 1– After obtaining non – objection y Saudi central bank, the company shall be entitled to conclude an agreement to manage technical services with one or more companies qualified in the insurance filed.
- 2– A member of the board of directors may not have any direct or indirect interest in works and contracts made for the account of the company unless by a license from the ordinary general assembly. The member of the board of directors shall notify the board of its direct or indirect interest in the works and contracts made for the account of the company. Such notification shall be recorded in the meeting minutes.
- 3– Such member may not participation in voting on the decision issued in this regard in the board of directors and assemblies of shareholders.
- 4– The chairman of the board of directors shall notify the ordinary general assembly upon its holding of the works and contracts in which a member of the board has direct or indirect interest therein. The notification shall be accompanied by a special report form the external auditor of the company.

- 5- If the member of the board of directors fails to disclose its interest, the company or any interested party may request before the competent judicial body avoidance of the contract or abrogating the member to pay any profit or interest realized by it from that.
- 6- The responsibility for the damages resulting from the works and contracts referred to in paragraph (1) of this article shall lie with the member who is the stakeholder in the work or the contract as well as the members of the board of directors if such works and contracts made in violation of the provisions of such paragraph or if it is established that they are not fair or involve conflict on interest or result in damage to shareholders.
- 7- Members of the board of directors objecting to the decision shall be relieved from responsibility whenever they expressly record their objection in the meeting minutes. Absence from attending the meeting at which the decision is issued shall not be a reason for relieving from responsibility unless it is established that the absent member did not know the decision or was unable to object there to after knowing it.
- 8- Members of the board of directors may not participate in any work that would compete with the company or compete with the company in one of the branches of the activity it exercises, otherwise the company may claim from it before the competent judicial bodies the appropriate compensation unless it has a prior license from the ordinary general assembly- renewed each year- allowing it to do so.

CHAPTER (5)

SHAREHOLDERS ASSEMBLIES

Article (25)- Attendance of Assemblies

- 1- The general assembly, which is correctly formed, shall represent all shareholders and is held in the city where the Company's head office is located.
- 2- Each shareholder, regardless of the number of its shares, shall have the right to attend general assemblies of shareholders and for that may delegate a person other than the members of the board of directors or the Company staff to attend the general assembly. The meeting of the Shareholders General Assemblies may be held, and a shareholder may participate in the deliberations therefore and vote on the resolutions made therein through modern technology means as per the controls developed by the Capital Market Authority.

Article (26)- Constitutive Assembly

- 1- The founders shall call all subscribers to hold a constitutive assembly within forty-five (45) days from the closing date of subscription to shares provided the period between the call date and the holding date shall not be less than ten days.
- 2- Each subscriber – regardless of the number of its shares – shall have the right to attend the constitutive assembly.

The presence of the number of subscribers representing at least (half) the capital shall be a condition for the validity of the meeting. If such quorum is not met, a call shall be made for another meeting to be held after at least fifteen (15) days from directing the call to it. However, the second meeting may be held after an hour from the expiration of the period set for holding of the first meeting. The call to hold the first meeting shall state declaration of the possibility of holding such meeting. In all cases, the second meeting shall be valid regardless of the number of subscribers represented therein.

Article (27)– Constitutive Assembly terms of Reference

The Constitutive assembly shall be concerned with the following matters:

- a- Verification of subscription to the entire shares of the Company and fulfillment of the minimum capital in the amount due from the share value in accordance with the provisions of the regulation.
- b- Deliberation on the evaluation report of in kind – shares.
- c- Approval of the final texts of the company status, and no substantive amendments shall be made.
- d- Appointment of the members of the first Board of Directors for a period not exceeding five years and first Auditor if not appointed in the Company Memorandum of Association or by-law.
- e- Deliberation on and approval of the founder's report on the works and expenses necessitated by incorporation of the company. Ministry of Commerce and Investment as well as the Capital Market Authority may send one or more delegates as a controller to attend the Constitutive Assembly of the company to ascertain the application of the regulation provisions.

Article (28)– Ordinary General Assembly Terms of Reference

With the exception of the matters designated for the extraordinary general assembly, the ordinary general assembly shall be concerned with all matters relating to the company. The ordinary general assembly shall be held at least once a year during the six months following the end of the company's fiscal year. Other ordinary assemblies may be called for as needed.

Article (29)– Extraordinary General Assembly Terms of Reference

The extraordinary general assembly shall be concerned with the amendment of the company's statute except for provisions prohibited to be amended by regulation. The extraordinary general assembly may issue resolutions regarding matters within the competence of the ordinary general assembly under the same terms and conditions prescribed for the ordinary general assembly.

Article (30)– Call for Assemblies

- 1– General or special assemblies of shareholders shall be held at an invitation of the board of directors. The board of directors shall convene the ordinary general assembly if so requested by the auditor, Audit committee or a number of shareholders representing at least (5%) of the capital. The auditor may convene the Assembly in case the Board fails to convene the assembly within thirty (30) days from the date of the auditor's request.
- 2– By a decision of the Capital Market Authority, the ordinary general assembly may be convened in the following cases:
 - a– If the period specified for holding expires (during the six months following the expiration of the fiscal year of the company) without holding thereof.
 - b– In case the number of members of the board of directors is below the minimum limit for valid holding.
 - c– If violations of the provisions of the regulation or the company by-law or an anomaly in company management are identified.
 - d– In the event the board fails to convene the general assembly within fifteen days from the request date of the auditor, Audit committee or a number of shareholders representing at least (5%) of the capital.
- 3– A number of shareholders representing at least (2%) of the capital may apply to Capital Market Authority to convene the ordinary general assembly if any of the cases provided for in paragraph (2) of this article is available. Capital Market Authority shall call for holding within thirty days from the submission date of shareholders' request and the call shall include the agenda of the assembly and the items required to be approved by shareholders.
- 4– Such call shall be published in a daily newspaper distributed in the area in which the company's headquarters is located at least twenty one (21) days prior to the time specified for holding. A copy of the call and the agenda shall be sent to the Ministry of Commerce and also a copy shall be sent to Capital Market Authority. However, extending the invitation on the said date to all shareholders through registered letters may suffice. A copy of the invitation and the agenda shall be sent to Capital Market Authority within the period specified for publication.

Article (31)– Register of Attendance of Assemblies

Shareholders wishing to attend the general or special assembly shall register their names at the company's headquarters prior to the time specified for holding the assembly.

Article (32)– The Quorum of Ordinary General Assembly

- 1– An ordinary general assembly meeting shall not be valid unless attended by shareholders representing at least (a quarter) of the company capital.
- 2– If the quorum required for holding the meeting of the ordinary general assembly is not available according to paragraph (1) of this article, a call is made for a second meeting to be held within the thirty days following the previous meeting. Such call shall be published in the manner provided for in article (30) of these articles. However, the second meeting may be held after an hour from the expiration of the period specified for holding the first meeting provided that the call for holding the first meeting shall state announcement of the possibility of holding such meeting. In all cases, the second meeting shall be valid regardless of the shares represented thereat.

Article (33)– Quorum of Extraordinary General Assembly

- 1– Holding of an extraordinary general assembly shall not be valid unless attended by shareholders representing at least half the company capital.
- 2– If the quorum required for holding the meeting of the extraordinary general assembly is not available according to paragraph (1) of this article, a call is made for a second meeting under the same conditions provided for in article (30) of these articles, The second meeting may be held after an hour from the expiration of the period specified for holding the first meeting provided that the call for holding the first meeting shall state announcement of the possibility of holding such meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least (a quarter) of the capital.
- 3– If the required quorum is not available in the second meeting, a call shall be made for a third meeting to be held under the same conditions provided for in article (30) of these articles. The third meeting shall be valid regardless of the number of shares represented thereat after the approval of Capital Market Authority.

Article (34)– Voting in Assemblies

Votes in the constitutive assembly and ordinary and extraordinary assemblies shall be calculated on the basis of a vote per share. The cumulative voting shall be used in electing the Board of Directors where the share right voting may not be used more than once. Members of the board of directors may not participate in voting on the decisions of the assembly regarding releasing them from responsibility for the management of the company or regarding a direct or indirect interest of them.

Article (35)– Resolutions of Assemblies

Constitutive assembly resolutions shall be passed by absolute majority of the shares represented therein. Resolutions of the ordinary general assembly shall be passed by absolute majority of the shares represented in the meeting. However, if such resolutions relate to evaluation of special benefits, the approval of a majority of subscribers to shares representing (two-thirds) of the said shares after excluding what is subscribed to by those benefiting from the special benefits. Resolutions of the extraordinary general assembly shall be passed by the majority of two thirds of the shares represented in the meeting unless the resolution relates to increasing or decreasing the capital, extension of the company's term, dissolution of the company before expiry of the term specified in its regulation or merging the company into another company or establishment where the resolution shall not be valid unless it is passed by the majority of three quarters of the shares represented in the meeting.

Article (36)– Discussion in the Assemblies

Each shareholder shall have the right to discuss the topics included in the agenda of the assembly and put questions regarding them to the members of the board of directors and the auditor. Each provision of this regulation depriving the shareholder of such right shall be void. The board of directors or the auditor shall answer the questions of shareholders to the extent that does not undermine the interest of the company. If the shareholder considers the reply to its question is unpersuasive, it may appeal to the assembly, the resolution of which in this regard shall be final.

Article (37)– Presiding over Assemblies and Preparation of Minutes

- 1– The general assembly shall be presided over by the chairman of the board of directors, its deputy in case of its absence or whoever is delegated by the board of directors from among its members and hence, in case of the absence of the chairman of the board of directors and its deputy,
- 2– Minutes of the meeting of the general assembly shall be drawn up containing the number of the shareholders present or represented, number of shares in their possession in person or by proxy, number of their votes, the decisions taken, number of dissenting or concurring votes and thorough summary of the discussion that took place in the meeting. Following each meeting, the minutes shall regularly be recorded in a special register signed by the chairman of the assembly, secretary and collector of votes.

CHAPTER (6)

BOARD COMMITTEES

Article (38)– Committees of the Board of Directors

Committees of the board of directors shall be formed in accordance with relevant laws and regulations.

CHAPTER (7)

AUDITORS

Article (39)– Appointment of the Auditor

The general assembly shall appoint one (or more) auditors from among the auditors licensed to practice in the Kingdom determine their remunerations and the period of their work. It may re- appoint them provided that the total period of their appointment shall not exceed five continuous years. The one who exhausts such period may be re-appointed after the lapse of two years from its expiration date. The general assembly may also, at any time, change them without prejudice to their right to compensation if the change takes place at an inconvenient time or without justifiable cause.

Article (40)– Powers of the Auditor

The auditor may, at any time, access the books and registrations of the company and other documents. It may request the statements and clarifications it considers necessary to be obtained. It may also verify the assets and liabilities of the company and other matters falling within the purview of its work. The chairman of the board of directors shall enable it to perform its duty. If the auditor faces a difficulty in this regard, it shall record same in a report to be presented to the board of directors. In case the board fails to facilitate the work of the auditor, it shall request the board of directors to convene the general assembly to consider the matter.

Article (41)– Obligations of the Auditor

The auditor shall submit to the annual general assembly a report prepared according to common auditing standards and including the position of the company management as to enabling it to obtain the statements and

clarifications requested by it, the violations that might be detected by it of the provisions of the cooperative companies control law and its implementing regulations and other relevant laws, regulations and instructions and the company's by-law and its view on the fairness of the financial statements of the company. The auditor shall read out its report in the general assembly. If the assembly decides to approve the report of the board of directors and the financial statements without hearing the report of the auditor, its decision shall be void.

CHAPTER (8)

THE COMPANY'S ACCOUNTS AND DISTRIBUTION OF PROFITS

Article (42)– Fiscal Year

The company fiscal year shall commence from January 1, and expire by the end of December of the same year provided that the first fiscal year shall commence from the date of the ministerial resolution announcing the incorporation of the company and expire on 31 December of the following year.

Article (43)– Financial Documents

- 1– At the end of each fiscal year, the board of director shall prepare the financial statements (the financial statements consist of: statement of financial position for insurance operations and shareholders, statement of surplus(deficit) of insurance operations, statement of income of shareholders, statement of shareholders' rights, statement of cash flows for insurance operations, statements of cash flows for shareholders) a report on the activity and financial position of the company for the expired fiscal year. Such report shall include the method it proposes to distribute profits. The board shall place such documents at the disposal of the auditor at least (45) days before the time specified for holding the general assembly.
- 2– The chairman of the board of directors of the company, its chief executive officer, its chief financial officer shall sign the documents mentioned in paragraph (1). Copies thereof shall be deposited at the head office of the company at the disposal of shareholders at least (21) days before the time specified for holding the general assembly.
- 3– The chairman of the board of directors shall provide the shareholders with the financial statements of the company, report of the board of directors, report of the auditor unless published in a daily newspaper distributed at the head office of the company. It shall also send a copy of such documents to the Ministry of Commerce and Capital Market Authority at least (15) days before the date specified for holding the general assembly.

Articles (44)– Accounts of Insurance Operations

Accounts of an insurance operation shall be independent from the statement of income of shareholders as follows:

First: Accounts of insurance operations:

- 1– An account shall be allocated to earned premiums, and reinsurance and other commissions.
- 2– An account shall be allocated to reimbursements incurred by the company.
- 3– At the end of each year, the total surplus representing the difference between the total premiums and reimbursements less marketing, administrative and operational charges and the required technical provisions according to the instructions regulating same shall be determined.
- 4– The determination of the net surplus shall be as follows: The return on investment relating to those insured shall be added to the total surplus set forth in paragraph (3) above or deducted therefrom after calculating the returns due to them and deducting the realized charges due from them.
- 5– Distribution of net surplus: It shall be made either by distributing (10%) ten percent to those insured directly or by decreasing their premiums for the following year. (90%) ninety percent shall be carried forward to the income account of shareholders.

Second: Shareholders' income statement:

- 1– The shareholders' profits from the return on the investment of the shareholders' funds shall be according to the rules developed by the board of directors.
- 2– The shareholders' shares of the net surplus shall be as set forth in paragraph (5) of the item first of this article,

Article (45)– Zakat and Reserve

The Company shall:

- 1– Set aside Zakat and income tax established by regulation.
- 2– Set aside (20%) of the net profits to form a statutory reserve. The ordinary general assembly may discontinue such setting aside when the total reserves amount to (100%) of the paid capital.
- 3– Upon determination net profits per share, the ordinary general assembly may decide to form other reserves to the extent achieving the interest of the company or ensuring the distribution of fixed profits as possible among shareholders
- 4– Distribute the company annual net profits determined by it after deducting all overheads and other costs and forming the reserves required to face doubtful debts, losses of investments and contingent liabilities the board of directors deems necessary in accordance with the provisions of the cooperative insurance companies control law, provisions issued by Saudi central bank. From the remaining profits after deduction the reserves established under relevant regulations and Zakat a ratio of not less than 5% of the paid capital for distribution among shareholders as proposed by the board of directors and decided by the general assembly. If the remaining ratio of profits due to shareholders is not sufficient to pay such ratio, shareholders may not request payment thereof in the following year or years and the general assembly may not decide to distribute a ratio of profits that is in excess of what has been proposed by the board of directors.

Article (46)– Entitlement of Profits

A shareholder shall be entitled to its share of the profits in accordance with the resolution of the general assembly issued in this regard. The resolution shall indicate the entitlement date and distribution date. The entitlement to profits shall be for the shareholders registered in the registers of shareholders at the end of the day specified for entitlement. The company shall notify Capital Market Authority without delay of any decisions for the distribution of profits or recommending same. The profits to be distributed among shareholders shall be paid in the place and on the date determined by the board of directors in accordance with the instructions issued by the competent authority subject to the prior written approval of Saudi central bank.

Article (47)– Losses of the Company

1– If, at any time during the fiscal year, the losses of the company amount to half of the paid capital, any officer of the company or the auditor shall, as soon as it becomes cognizant thereof, notify the chairman of the board of directors. The chairman of the board of directors shall notify the members of the board of same. The board of directors shall, within (15) days of being aware of same, convene the extraordinary general assembly within forty five (45) days of the date of being aware of losses to decide either the increase in capital of the company or decrease it in accordance with the provisions of the Companies Law to the extent with which the ratio of losses fall below half of the paid capital or dissolve the company before the date specified in its by-law. In all cases, the decision of the assembly shall be published on the website of the Ministry of Commerce and Investment. The company shall be deemed expired by law if the extraordinary general assembly fails to meet during the period specified above, if convened and was unable to issue a decision on the topic or if it decides to increase the capital accordance with the conditions established in this article and that no subscription is made as to all increase in the capital within ninety (90) days of the decision issuance of the assembly to increase.

CHAPTER (9)

DISPUTES

Article (48)– Responsibility of the Company

The company shall observe all actions and acts of the board of directors even if they are within not its terms of reference unless the stakeholder is ill-intentioned or knows that such acts are not within the terms of reference of the board.

Article (49)– Responsibility of Members of the Board of Directors

- 1– Members of the board of directors shall be jointly responsible for compensating the company, shareholders or third parties for the damage arising out of poor management of the company or their violation of the provisions of cooperative companies control law and its implementing regulations and other relevant regulations and instructions and these articles. Each condition requires otherwise shall be void. The responsibility shall lie with all members of the board of directors if the error occurs due to a decision taken by them unanimously. The decisions issued by a majority of opinions, the objecting members shall not be responsible for whenever they record their objection in the meeting minutes. Absence from the meeting at which the decision is issued shall not be a reason for relieving from responsibility unless it is established that the member is not aware of the decision or able to object thereto after being aware thereof.
- 2– The approval of the ordinary general assembly to release the members of the board of directors shall not prevent filing the responsibility case.
- 3– The responsibility case shall not be heard after lapse of three (3) years from the date of detecting the wrongful act. Except for the cases of fraud and forgery the responsibility case shall not be heard in all cases after lapse of five (5) years from the expiration date of the fiscal year in which the wrongful act occurs or three (3) years from the membership expiration of the member of the board of directors concerned, whichever is later.
- 4– Each shareholder shall have the right to file responsibility case established for the company against the members of board of directors if their error would cause a special damage thereto. The shareholder may not file the said case unless the right of the company to file it still exists. The shareholder shall notify the company of its intention to file the case with limiting its right to claiming compensation for the special damage it incurs.
- 5– The following expenses incurred by the shareholder to file a case regardless of its result, may be charged to the company under the following conditions:
 - a. If it files the case in good faith.
 - b. In case it provides the company with the reason for which it files the case and does not receive a response within thirty days.
 - c. In the event it is in the interest of the company to file such case based on the provision of article (79) of the companies law.
 - d. That the case is well-founded.

CHAPTER (10)

LIQUIDATION OF THE COMPANY

Article (50)– Expiration of the Company

- 1– Once it expires, the company shall enter into liquidation. It shall retain the legal personality to the extent necessary for liquidation.
- 2– The decision of the voluntary liquidation shall be issued by partners or the general assembly.
- 3– The liquidation decision shall include the appointment of the liquidator, determination of its authorities, fees, the restrictions imposed on its authorities and the time limit required for liquidation. The period of the voluntary liquidation shall not exceed five (5) years and may be extended only by a judicial order.
- 4– The authority of the board of directors of the company shall expire by its dissolution. However, it shall manage the company and be deemed by third parties as liquidators until the liquidator is appointed. During the period of liquidation, the terms of reference of the company organs that are consistent with the terms of reference of the liquidator shall remain. Preservation of the rights of the participants in the surplus of insurance operations and the reserves formed in accordance with articles (44) and (45) of these articles shall be observed in the voluntary liquidation.

CHAPTER (11)

FINAL PROVISIONS

Article (51)– Company Law

The provisions of the cooperative companies control law and its implementing regulations, the Companies Law and its regulations, and other relevant laws, regulations and instructions shall apply to matters not provided for in these articles.

Article (52)– Publication

These articles shall be deposited and published in accordance with the Companies Law and its regulations