



**Gulf Union Cooperative
Insurance Company**
P.O. Box 5719 Dammam 31432
Saudi Arabia

CORPORATE GOVERNANCE MANUAL

Date:


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REVISION / CHANGE RECORD

REVISION	DATE	AUTHORIZATION	REVISION / CHANGE DESCRIPTION	SECTIONS AFFECTED
1	09/05/12	Chairman BOD	Incorporation of Changes in the requirements of Code of Corporate Governance issued by CMA	Multiple
2	DD/MM/YY	General Assembly	Incorporation of Changes required by “Insurance Corporate Governance Regulations” issued by SAMA	Multiple

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1. INTRODUCTION


Corporate governance “refers to a system whereby shareholders, creditors and other stakeholders of a Corporation ensure that Management enhances the value of the Corporation as it competes in an increasingly global market place”. It encompasses the entirety of the legal and factual regulatory framework for managing and supervising a Corporation. The primary goal of corporate governance is to create and sustain increased value in the Corporation for all of its stakeholders. To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stakeholders concerned, thereby safeguarding stakeholders’ rights as well as promoting stakeholder participation in the corporate governance process.

The framework for Corporate Governance is not drawn from any single document. The Corporate Governance Regulations in kingdom of Saudi Arabia (KSA) issued by the Board of Capital Market Authority (CMA) lays down the basic legal framework for corporate governance of every public corporation. It is supplemented by the SAMA Rules & Regulations, CCHI Rules & Regulations, and other applicable laws and regulation in KSA.

The machinery for corporate governance of Gulf Union Cooperative Insurance Company (GUCIC) is principally contained in the Article of Association of the company as well as the Company Law. These constitutive documents lay down, among others, the basic structure of governance, and the principal duties of the Board of Directors and officers of the Company. The function of this Manual of Corporate Governance is to supplement and complement the company’s Articles of Association by setting forth principles of good and transparent governance.

The Board of Directors, Management, Officers and employees of the company commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The company shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the Mission Statement and Vision of Gulf Union Cooperative Insurance Company made an integral part of this Manual.


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1.1. DEFINITIONS

SAMA:	Saudi Arabian Monetary Agency (SAMA).
Authority:	Capital Market Authority (CMA)
Exchange:	Saudi Stock Exchange (Tadawul)
The Company:	Gulf Union Cooperative Insurance Company licensed by SAMA under the Law of Supervision of Cooperative Insurance companies and its Implementing Regulations.
Board of Directors (the Board) (BOD):	The Company's Board of Directors as accepted by the laws in the Kingdom of Saudi Arabia.
Chairman of the Board (Chairman):	A Non-executive Board Member elected by the Board to preside over its meetings and organize its activities.
Chief Executive Officer (CEO):	The officer with highest rank in the senior executive management of the Company, who is in charge of its daily management, regardless of the title of his or her position.
Related Company:	A company (or one of several companies that SAMA may consider to be acting in concert) holding a shareholding of 5% or more of the equity of the Company, or a company in which the Company (either alone or with other companies that SAMA may consider to be acting in concert) holds a shareholding of 5% or more.
Related Persons:	Close family members of parents, spouse, descendants; any person with a business relationship that might influence the decision making process; and any establishment in which any member of the Board of Directors has more than 5% interest.
Significant Shareholders:	Natural or legal persons that, directly or indirectly, alone or in association, controls 5% or more of the Company's shareholding.
Executive Director / Executive Board Member	A member of the Board of Directors who is also a member of the executive management of the company and participates in the daily affairs of the company and earns a monthly salary in return thereof.
Non-executive Board Member / Non-Executive	A member of the Board who provides opinions and technical advice and is not involved in any way in the management of the company and

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Director: does not receive a monthly or an annual salary.


Independent Director / Independent Board Member: A director will be considered “independent” if he/she is not:

- a significant shareholder of the Company or related company, or associated directly with a substantial shareholder of the Company
- a representative of a legal person that holds a five per cent or more of the issued shares of the company or any of its group
- a member of the Board of the Company for more than nine years
- a member of the Board in a Related Company or one of its subsidiaries, or having been one during the past two years
- Have within the last two years, been employed in an executive capacity by the Company or any related company.
- an employee with the Company, with a related company or with a company that provide services to the company (e.g. external auditors, consulting firms, etc. or having worked with any one of the above during the last two years.
- a material supplier or customer of the Company or directly associated with a material supplier or customer.
- have material contractual relationship with the Company other than as a director.
- having a contractual or business relationship with the Company (either directly or through an entity in which he or she is a Significant Shareholder, a Board member, or a manager) which resulted in paying to, or receiving from, the Company the equivalent of two hundred and fifty thousand (250,000) Saudi riyal or more (other than his or her remuneration as a director of the Board and amounts related to insurance contracts) during the past two (2) years
- a Related Person (including first degree relative) of any board member, or any of senior executives of the company or of a related company .
- Being under any financial obligation towards the Company or any members of its Board or Senior Management that might limit the exercise of independence in judgment and decision making

Senior Management (Management): The Managing Director, Chief Executive Officer, General Manager, their deputies, Chief Financial Officer, Managers of key departments, Officers of Risk Management, Internal Audit, and Compliance functions, and similar positions in the Financial Institution, in addition to incumbents of any other positions determined by SAMA.

Senior Positions: Members of the board and senior management.

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Stakeholders: The persons or parties who have an interest in the company, including shareholders, policyholders, claimants, employees, reinsurers, creditors, suppliers, regulatory and supervisory bodies and community.

First-degree relatives: father, mother, spouse and children


Accumulative Voting: This gives each shareholder a voting rights equivalent to the number of shares he/she holds. He/she has the right to use them all for one nominee or to divide them between his/her selected nominees without any duplication of these votes.

Shareholder: The holder of shares within the company.

Minority Shareholders: Those shareholders who represent a class of shareholders that does not control the company and hence they are unable to influence the company.

Appointed Actuary: The Actuary who is appointed by the Company, after obtaining a prior written approval from SAMA, to undertake the responsibilities specified in various Regulations issued by SAMA.

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2. PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Corporate Governance is concerned with improving the performance of companies for the benefit of shareholders, stakeholders and for economic growth. It focuses on the conduct of, and relationships between, the board of directors, managers and the company's shareholders.

Corporate Governance is designed to:

- Enhance corporate performance.
- Instil investors confidence in the Company.
- Strengthen shareholder and community confidence in an entity.
- Enhance public reputation through increased transparency and accountability.
- Permit entities to demonstrate the effective discharge of legal, shareholders and ethical obligations.
- Provide a mechanism for benchmarking of accountability.
- Assist in detection and prevention of fraud, dishonesty or unethical behaviour.

Mission Statement

Delivering quality insurance offerings and peace of mind by providing quality protection

Vision Statement

To be among the top 5 insurance companies in Saudi Arabia, offering innovative products & services to our clients, enhancing shareholders profitability, being a responsible corporate citizen and providing meaningful careers to our people

Core Values


- Integrity
- Transparency
- Customer service excellence
- Social responsibility

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3. SHAREHOLDERS & OTHER STAKEHOLDERS

3.1. GENERAL RIGHT OF THE SHAREHOLDERS

The shareholders shall have all the rights attached to the share:-

- to a share of the distributable profits;
- to a share of the company's assets upon liquidation;
- to attend the Annual General Meeting (AGM) and participate in deliberations and vote on relevant decisions and to communicate their opinions and concerns to the Board of Directors and Senior Management;
- to be briefed on the minutes of the General Assembly;
- to supervise the Board of Directors activities, and file responsibility claims against board members;
- to inquire and have access to information without prejudice to the company's interests and in a manner that does not contradict the Capital Market Law and the Implementing Rules.
- Right of disposition with respect to shares.
- To have secure methods of ownership registration and transferability of the shares.

3.2. RIGHT TO INFORMATION


- Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports and other information which enables him/her to exercise his/her rights properly and efficiently, such information shall be comprehensive, adequate and accurate. This may include;
 - Personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company;
 - Relationships among directors and key officers; and
 - The aggregate compensation of directors and officers.
- The company shall use the most effective means in communicating with shareholders.
- No discrepancy shall be exercised with respect to shareholders in relation to providing information.
- The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

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3.3. RIGHTS RELATED TO THE ANNUAL GENERAL MEETING


- a) Annual General Meeting (AGM) shall be held once a year at least within the six months following the end of the company's financial year.
- b) The AGM shall convene upon a request of the Board of Directors. The Board of Directors shall invite an AGM to convene pursuant to a request of the auditor or a number of shareholders whose shareholdings represent at least 5% of the equity share capital.
- c) Date, place, and agenda of the AGM shall be specified and announced by a notice, at least 20 days prior to the date the meeting; invitation for the meeting shall be published in two newspapers of voluminous distribution in the Kingdom or the company's website, the company's website and Modern high tech means shall be used in communicating with shareholders.
- d) Shareholders are allowed the opportunity to effectively participate and vote in the AGM; they shall be informed about the rules governing the meetings and the voting procedure.
- e) Arrangements shall be made for facilitating the participation of the greatest number of shareholders in the AGM, including *inter alia* determination of the appropriate place and time.
- f) The Board should consider the proposals of Shareholders holding not less than 5% of the Company's share while setting the agenda for General Assembly.
- g) Shareholders are entitled to discuss matters listed in the agenda of the AGM and raise relevant questions to the board members and to the external auditor. The Board of Directors or the external auditor shall answer the questions raised by shareholders in a manner that does not prejudice the company's interest.
- h) Matters presented to the AGM shall be accompanied by sufficient information to enable shareholders to make decisions.
- i) Shareholders are enabled to peruse the minutes of the AGM; the company shall provide the Authority with a copy of those minutes within 10 days of the convening date of any such meeting.
- j) The Stock Exchange shall be immediately informed of the results of the Annual General Meeting.

3.4. VOTING RIGHT

- Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts.
- Accumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board.

A shareholder may, in writing, appoint any other shareholder who is not a board member and who is not an employee of the company to attend the AGM on his behalf.

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3.5. DIVIDENDS RIGHTS OF SHAREHOLDERS

- Shareholders have the right to receive dividends subject to the discretion of the Board.
- The dividends and the date of distribution should be approved at the AGM. These dividends, whether they are in cash or bonus shares may be given, as of right, to the shareholders who are listed in the records.

3.6 PRE-EMPTIVE RIGHT

All shareholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Association or an amendment thereto. They shall have the right to subscribe to the capital stock of the company. The Articles of Association may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Company's Act.

3.7 EQUITABLE TREATMENT OF SHAREHOLDERS

- Shareholders are to be treated equally and have the same voting rights.
- The votes of custodian/nominee holders are to be directed in accordance with the underlying shareholders' wishes.
- General shareholders meetings are to be free from impediments affecting the ability to cast votes.

3.8. STAKEHOLDERS

Stakeholders (other than shareholders) are relevant to the success of an entity. As a general principle, management is charged with the development of policies appropriate to successfully manage these relationships.


The Board supports, as part of its Corporate Governance system that the interests of all stakeholders' legal rights are respected; and performance enhancing mechanisms should exist for stakeholders to participate in the Corporate Governance process, and in the consultative process to ensure an effective and responsible approach to managing the Company.

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4. GENERAL PROVISIONS


4.1. FITNESS AND PROPRIETY

- 4.1.1 Members of the Board, Board committees, and Senior Management shall be trustworthy and shall have the integrity, competency, knowledge, and experience to fulfill their respective roles and shall comply with all laws, regulations, and rules issued by SAMA at all times.
- 4.1.2 Significant Shareholders shall be of good conduct and reputation, financially sound, with no convictions related to committing any action involving moral dishonesty or contravention of laws in the Kingdom of Saudi Arabia or any other jurisdiction.
- 4.1.3 All appointments to senior positions including as members of the Board of Directors and its committees shall be made in accordance with SAMA's Requirements for Appointments to Senior Positions in the Financial Institutions.
- 4.1.4 The nomination and remuneration policy followed by the Company shall have formal and rigorous standards and procedures to continuously monitor and assess the fitness and propriety of Board members, members of Board committees, members of Senior Management, in accordance with the requirements of Para 4.1.1 above, and shall immediately notify SAMA of any information or circumstances that may be relevant to assessment of fitness and propriety of these persons within a maximum period of (3) three business days from the day of obtaining the information or from the day of change occurrence.

4.2. REMUNERATION


- The remuneration for the Chairman and Board members for their services is specified in the Company's articles of association. Board members remuneration can be modified only by the extraordinary general assembly.
- The Board shall propose the remuneration package for the Board, based on the recommendations of the Nomination and Remuneration Committee, in accordance with applicable laws, regulations and rules and with the conditions set by the general assembly, subject to the approval by the general assembly.
- The Company shall ensure that all written details of the proposed remuneration and considerations are accessible to the Shareholders prior to the general assembly at which the remuneration and considerations shall be put to voting.
- The Company shall have a remuneration policy, covering all levels and categories of employees, whether regular or contractual. The remuneration policy shall address the following at minimum:
 - a) Objectives of the compensation scheme (with focus on promoting effective risk management and achieving financial soundness and stability of the Company)

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- b) Structure of the compensation system (including key determinants of compensation, alignment of compensation with risk taking, etc.)
- c) Determinants of the mix of remuneration components (fixed and variable components; cash and noncash benefits, etc.)
- d) Linking compensation with performance
- The Board shall be responsible to ensure that the compensation level and structure:
 - a) are fair
 - b) are aligned with the Company's objectives
 - c) encourage prudent behaviors and does not induce taking high risk transactions to achieve short-term profits, and it complies with the Company's risk management policy approved by the Board
 - d) do not cause any conflict of interest that might negatively impact the Company's performance
 - e) achieve the interests of policyholders, shareholders and the
- Company's long-term objectives
- The Company shall have a performance measurement system in place to evaluate and measure the performance of its employees at various levels, in an objective and formal manner. The performance measurement of Senior Management, in particular, shall be based on the longer-term performance of the Company, and not based on only one year's performance.
- The remuneration structure of employees working in control functions (such as internal audit, Risk and compliance) shall be designed to ensure objectivity and independence of these functions. In this regard, it should be ensured that the executive management of the company is not intervening in the process of performance measurement and compensation determination of such employees.
- Members of the Board and Senior Management (except sales managers) shall not receive any commission or rewards on sales-related activities (e.g. production). Furthermore, no variable component of the compensation for members of the Board and Senior Management (except for sales managers) shall be directly based on premium volume.

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5. BOARD OF DIRECTORS

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the company. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the company according to their best judgment.

The governance structure of the Company should reflect the accountability of the Senior management to the Board and the accountability of the Board to the shareholders and other Stakeholders, through relevant internal control systems and policies.

5.1. COMPOSITION


- As per the Article of Association of the company the Board of Directors has been limited to ten (10) which consists of six (6) members representing the founders of the company and four (4) members representing other shareholders.
- Members of the Board are appointed by the company's shareholders' votes at the AGM and their duration is limited to the period of three (3) years. Also shareholders have the right to terminate a member from the board before expiring his duration.
- The majority of the Board members are non-executive members.
- The company should notify the termination of the Board member, if any, to SAMA, Stock Exchange and other relevant regulatory authority with the reason for termination.
- As a publicly listed company in Saudi Stock Exchange, which is governed under CMA Regulations, GUCIC conforms with the legal requirement to have independent directors who constitute more than one third (1/3) of the members of the Board. The independent directors may be identified in the annual report.
- A Board member shall not be a member of a board of another local insurance and/or reinsurance company, or any other board committees, or occupying a leadership position in such companies.
- A member of the Board shall not act as a member of the Board of Directors for more than five joint stock companies with any nature of business at the same time.
- Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.
- All individual members of the Board shall have the same proportionate control and influence over the decisions of the Board.

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5.2. INDEPENDENT DIRECTORS

Independent directors shall hold no interests or relationships with the company that may hinder their independence from the company or management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An independent director shall submit to the company Secretary a letter of confirmation stating that he holds no interests affiliated with the corporation, management or controlling shareholder at the time of his election or appointment and/or re-election as a director.

Moreover, for purposes of compliance with the legal requirement on independent directors;

- i. The majority of directors are to be independent.
- ii. The Chairman is to be independent.
- iii. All directors are to be independent of conflicts of interest. Where a director has a potential or perceived conflict of interest, immediate disclosure to the Company is to be made.
- iv. Non-executive directors should meet from time-to-time independently of executive directors and management.

5.3. QUALIFICATIONS

A director of GUCIC shall have the following qualifications:

- a) Ownership of at least thousand (1000) share of the capital stock of the company.
- b) Have an appropriate mix of skills and experience to fulfil the obligations.
- c) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.


5.4. NOMINATION OF BOARD OF DIRECTORS

The Board nomination process shall take into account the following:

- Allowing sufficient time for receiving nomination proposals for Board memberships
- Reviewing nomination proposals for Board memberships by the nomination and remuneration committee and documenting any findings and recommendations
- Obtaining SAMA's written nonobjection prior to the appointment of any Board member
- Providing shareholders with adequate information on the candidates' qualifications and relationships with the Company prior to voting
- Applying the Cumulative Voting Method when voting in the general assembly for appointing Board members

The Company must notify SAMA when a nomination proposal for Board membership has been rejected and must specify the reasons for the rejection.

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The number of Board candidates presented to the general assembly for voting shall exceed the number of available seats in order - to provide the general assembly the opportunity to select among several candidates. The Board can engage the services of an independent specialized external party to identify additional candidates for Board membership when the number of Board candidates is insufficient.


If the position of a Board member becomes vacant, the Board can, after obtaining SAMA's prior written non-objection, temporarily appoint a new member to the vacant position for the remainder of his or her predecessor's term, provided that such appointment is presented for approval at the next general assembly.

5.5. FUNCTIONS OF THE BOARD OF DIRECTORS

The Board shall exert its best effort to ensure a high standard of best practice for the Company. Members of the Board shall undergo an induction program once they join the Board. Each member shall be provided with a letter of appointment outlining his or her roles and responsibilities, and comprehensive information on the Company's business and strategic plans and on applicable laws and regulations. Members of the Board shall endeavour to educate themselves on, and be regularly updated of, regulatory developments and to undergo periodic training, as needed, on relevant areas and topics, including but not limited to corporate governance, risk management, finance, solvency, insurance, internal control, law, regulatory compliance, and any other important topics. The Board should perform all the functions which it is required to perform in the company's by-Laws and beside below mentioned:


- Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted;
- Constitute an Audit Committee and such other Committees as (i.e. Executive Committee, Remuneration & Nomination Committee, Investment Committee, Audit Committee and Risk Committee) are required in the Articles of Association of the company; Reviewing and approving the organizational and functional structures of the company on a periodical basis.
- Select and appoint a Chief Executive Officer with the appropriate level of motivation, integrity, competence and professionalism;
- Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Company;
- Sets and reviews strategic direction by setting strategic objectives and formulating strategic plans and approves the annual operating budget and business plan;
- Supervising the implementation of strategic plans and major transactions;
- Supervising Senior Management and monitoring the Company's performance against the performance objectives set by the Board;
- Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- Supervising the main capital expenses of the company and acquisition/ disposal of assets.

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- Ensure that the Company complies with all relevant laws, regulations and as far as possible best business practices;
- Approving key policies and procedures and regularly reviewing and updating them;
- Establishing and monitoring a system of internal controls and ensuring its adequacy and effectiveness. Such systems shall be regularly reviewed and updated to render for effectiveness;
- Identify and monitor, and endeavour to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas to assess, manage and monitor these risk on continuous basis;
- The Board is primarily responsible to the shareholders for financial reporting and control, and should:
 - Ensure the integrity of the Company's accounting and financial reporting system and the appropriateness of its disclosure process;
 - Provide to all stakeholders relevant and timely information about the Company, including but not limited to a quarterly report and an annual report of the company's performance, position and prospects;
 - Present a balanced and understandable assessment of the company's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
 - Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
 - Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
 - Maintain a sound system of internal control to safeguard stakeholders' investment and the Company's assets;
 - Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
 - Require the chief audit executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- Promote higher standards of corporate governance and ethical practices by adopting a Corporate Governance Code for the company that does not contradict the provisions of the regulations, supervising and monitoring in general the effectiveness of the code and amending it whenever necessary.

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- The Board shall put in place a remuneration and compensation policy in accordance with the SAMA regulations, duly approved by its Board of Directors, and submit a copy of the policy to SAMA within one hundred and eighty (180) calendar days from the date of issuance of Insurance Corporate Governance Regulations by SAMA. In addition, the Board must review the Company's remuneration policy and consider any necessary amendments on an annual basis, as a minimum. All subsequent amendments thereon must be submitted to SAMA within twenty one (21) working days from the date of the amendment.
- Recommend to the shareholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
- Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense, which expense shall be reasonable.
- Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the AGM.
- Ensuring that the interests of the policyholders are being protected at all times
- Outlining a written policy that regulate the relationship with stakeholders with a view to protecting their respective rights; in particular, such policy must cover the following
 - Mechanisms for indemnifying the stakeholders in case of contravening their rights under the law and their respective contracts.
 - Mechanisms for settlement of complaints or disputes that might arise between the company and the stakeholders.
 - Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
 - A code of conduct for the company's executives and employees to regulate their relationship with the stakeholders. The code shall be compatible with the proper professional and ethical standards. The Board of Directors shall lay down procedures for supervising this code and ensuring compliance therewith.
 - The Company's social contributions.

5.6. RESPONSIBILITIES

- The Board of Directors assume all the necessary powers for the company's management. The Board is ultimately accountable and responsible for the performance, conduct, and regulatory compliance of the Company. Delegating authority to Board committees or Senior Management shall not absolve the Board of its responsibilities. Furthermore, the Board is responsible for the performance of third parties engaged to perform jobs or manage functions. The Board of Directors shall avoid issuing general or indefinite power of attorney.
- The responsibilities of the Board of Directors are clearly stated in the company's Articles of Association.
- The Board Carry out its duties in a responsible manner, in good faith and with due diligence; in compliance with law and regulation; and in the best interest of shareholders, policyholders

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and other stakeholders. Its decisions are based on sufficient information from the executive management.

- Has to determine and delegate the powers to the executive management. The executive management submits to the Board of Directors periodic reports.
- Ensure that a procedure is laid down for orienting the new board members of the company's business and, in particular, the financial and legal aspects.
- Ensure that sufficient information about the company is made available to all members of the Board of Directors, generally, and, in particular, to the non-executive members, to enable them to discharge their duties and responsibilities in an effective manner.
- The Board is neither entitled to enter into loans arrangement on behalf of the company nor they can drop the Company's debts.
- Members of the Board and its committees are prohibited from disclosing to shareholders or the public any confidential information obtained as they perform their role, other than in the general assembly, and must not use such information for their own benefit and personal gain.

5.7. RIGHTS

- To receive all available information to be discussed at a meeting, prior to that meeting.
- To be given adequate time to consider and debate issues.
- Have access to relevant and reliable information and be entitled to obtain such resources and information from the Company, including direct access to employees, as they may require.
- The Board shall be able to seek external independent advice, when necessary, at the Company's cost.
- Directors may (where not constrained by the Companies Act and by laws of the Company):
 - contract or enter into an arrangement with the Company;
 - be present at a meeting and vote thereat on a matter in which the Director has an interest; and
 - hold office (except that of auditor) in any other company as approved by the Directors.

5.8. INDEPENDENCE AND CONFLICTS OF INTEREST


- The governance structure of the company shall support independent decision making throughout the organization by, for example, establishing clear separation of duties between the Board and the Management, enhancing the independence of control functions, and controlling the risk of conflict of interest.
- Members of the Board shall perform their duties free from any external influence, whether from within or outside the Company. Members of the Board shall not allow their own personal interest, or the interest of the parties they represent, to come before, or in conflict with, that of the Company, its shareholders, and other Stakeholders.
- The Board should leverage the services of independent external parties to provide assurance on the adequacy and effectiveness of the governance structure and processes of the Company and on other technical areas, where the Board might lack relevant expertise.

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- Members of the Board and Senior Management are to avoid situations where a conflict of interest with the interests of the Company may occur.
- Members of the Board and Senior Management shall not, without a prior authorization from the General Assembly, to be renewed each year, have any interest (whether directly or indirectly) in the company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a Board member is the best bidder, subject to SAMA's non-objection.
- Members of the Board and Senior Management shall notify Board of Directors through the Chairman of the Board, of any personal interest he/she may have in the business and contracts entered into by the company. Such notification shall be entered in the minutes of the meeting.
- A Board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the General Assembly nor in the Board of Directors.
- The Chairman of the Board of Directors shall notify the General Assembly, when convened, of the activities and contracts in respect of which a member of the Board and Senior Management may have a personal interest with amount and shall attach to such notification a special report prepared by the company's external auditor.
- The company shall not grant cash loan whatsoever to any of its Board members or render guarantee in respect of any loan entered into by a Board member with third parties, excluding banks and other fiduciary companies.
- A member of Board of Senior Management shall not, without a prior authorization of the General Assembly, to be renewed annually, participate in any activity which may likely compete with the activities of the company, or trade in any branch of the activities carried out by the company.
- Members of the Board and Senior Management who own an interest in an Insurance Service Provider (e.g. brokers, agents, third party administrator, etc.) shall:
 - a) disclose to the Board their interest in the insurance-related company, in writing, at the earliest opportunity;
 - b) never encourage or solicit dealings with the company in which they hold an interest;
 - c) refrain from voting in decisions related to dealings with the company in which they hold an interest.
- Additionally, the Company shall notify the general assembly, when convened, of all businesses with any insurance-related company in which a member of the Board or Senior Management has an interest, and shall attach to such notification a special report prepared by the company's external auditors.
- The Chairman shall provide the general assembly with details of insurance contracts in which members of the Board or Senior Management or their related parties have an interest, including the line of business, size, and associated losses, if any.
- The Company must notify Capital Market Authority and the public without delay of any material developments for any transaction between the Company and a related party or any arrangement through which the Company and a related party invest in any project or asset or provide financing thereof.

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- Annual Board of Directors' report shall include the transaction between the company and any related party.
- Annual Board of Directors' report shall also include information relating to any businesses or contract to which the Company is a party and in which a director of the Company, the CEO, the CFO or member of Senior management or any person related to any of them is or was interested.

5.9. MEETINGS OF DIRECTORS


- ✓ The Board is to meet at least four (4) times per year on quarterly basis.
- ✓ Non-executive members of the Board shall hold closed meetings, without the presence of Management members, at least once every year. Staff of the control functions can be invited to attend these meetings, upon the request of the Nonexecutive members holding the meeting.
- ✓ An attendance of two thirds of the Company directors forms a quorum.
- ✓ A Director may not be absent for more than three (3) consecutive meetings without a reason acceptable to the Board.
- ✓ Directors may assist in the development of an Agenda for Board meetings through the Chairman.
- ✓ The Board is to be given adequate notice of meetings.
- ✓ The Board and its Committees are to be provided with a list of scheduled meetings for the year, at the commencement of each financial year.
- ✓ Board papers are to be provided to directors at least ten business days prior to any scheduled meeting.
- ✓ Minutes of the Board meetings shall indicate the meeting's attendance, topics discussed, major deliberations, voting process, objections and abstentions from voting (with reasons if any), decisions taken, and reservations. All records and documents reviewed during the meeting and/or referred to in the minutes shall be attached to the minutes.
- ✓ Board and Committee minutes are to be accurate and circulated to the board and committee members within a period not exceeding 15 days for comments which must be received within seven days. After receiving the comments of the members, if any, and their resolution, the minutes are to be circulated for approval and signed by the board and Secretary of the Board and committees members. The approved minutes shall be entered into an official register.
- ✓ The minutes shall specify the person or entity responsible for implementing the resolution taken.
- ✓ Board and Committee meetings are to be held in accordance with the company's Constitution and any Committee Charter.
- ✓ Senior members of management are to attend Board meetings by invitation.
- ✓ Each year, a one day meeting of the Board is to review and approve the strategy and business plan of the Company for the next financial year.

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5.10. TERMINATION OF BOARD OR A MEMBER OF THE BOARD

- a) Membership of the Board shall be terminated upon: Expiration of the appointment term
- b) Resignation of the Board member
- c) Death of the Board member
- d) Becoming physically or mentally impaired in a way that could severely limit his or her ability to properly perform his or her role
- e) Being declared bankrupt or insolvent or making a settlement request with creditors or ceasing to pay debts
- f) Being convicted of an offence involving moral dishonesty or contravention of laws in the Kingdom of Saudi Arabia or any other jurisdiction
- g) Failure to fulfill the Board member's obligations in a way that harms the Company (in which case the termination of the Board member must be approved by the general assembly)
- h) Failing to attend three (3) meetings that were held within one year without a legitimate and acceptable reason
- i) Inability to continue performing their role based on any of the applicable laws and regulations in the Kingdom of Saudi Arabia

On termination of membership of a board member the company shall promptly notify the Authority and the Exchange and shall specify the reasons. SAMA must also be notified when a member of the Board resigns or when his or her membership is being terminated for any reason other than the end of appointment term within (5) business days from the date on which the member leaves.


5.11. REPORTING

- The Board is to adopt a Protocol to ensure Continuous and Market Disclosure in accordance stock exchange and other relevant regulations.
- The Board is to ensure that the Annual Report of the entity is in full compliance with reporting standards applicable for the entity.
- The Board is to ensure that the entity has readily accessible information available to shareholders and stakeholders consistent with accepted standards.
- The Board is to ensure that the Company reports on compliance with CMA and SAMA Corporate Governance Regulations in Kingdom.

5.12. EFFECTIVENESS

- The Board is to at least annually review and assess its performance and the performance of its individual directors and Committees.
- The Board is to monitor its directors and management for conflicts of interest and to take remedial action where necessary.

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- The Board is to ensure that directors have access to independent professional advice at the cost of the entity when necessary.
- The Board is to establish Committees to assist in the effectiveness of its operations.
- Board and Committee members are entitled to access information from the entity and management in accordance with an established protocol.

5.13. CHAIRMAN

- The Board must elect a Non-Executive Director as Chairman of the Board, and also the Board may select a nonexecutive member as Vice-Chairman (after obtaining "no-objection" from SAMA). It is prohibited to conjoin the position of the Chairman of the Board with any other executive position in the company, such as the Chief Executive Officer (CEO) or the managing director or the general manager.
- The Board shall authorize the Chairman to organize its activities and grant him or her the necessary powers to discharge his or her responsibilities
- The Chairman's responsibilities shall not overlap with those of the CEO. The responsibilities of the Chairman of the Board shall be restricted to his or her supervisory role and shall not extend to the executive responsibilities reserved for the CEO.
- The Board can, by a majority vote of all Board members, dismiss its elected Chairman at any time.
- The following are the roles and responsibilities of the Chairman of the Board of Directors:
 - Ensure that the Board provides leadership and vision to the entity;
 - Organizing the Board activities;
 - Setting the agenda for each Board meeting in consultation with CEO and other Board members;
 - Presiding over Board meetings and directors' Board discussions, and to ensure that they are conducted fairly and ethically;
 - Ensure that Board meeting minutes accurately reflect Board decisions;
 - Oversee the process of providing the Board with information and report to ensure that the Board has all necessary information to make effective decisions;
 - Ensure that Board and director evaluations are undertaken at least annually;
 - Engage with the Nominations and Remuneration Committee in the selection of directors;
 - Guide the directors in their ongoing effectiveness and that of the Board;
 - Presiding over General Assembly Meetings to ensure that shareholders have an adequate opportunity to air their views and obtain answers;
 - Representing the Company before judicial bodies and supervising the relationships between the Board and internal and external parties;
 - Supporting the Board's efforts in promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations at all times;
 - Ensure that the Board conducts its activities responsibly, without unduly interfering with the Company's operational activities.

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5.14. SECRETARY OF THE BOARD

The Board shall appoint a Secretary of the Board, for its term, to arrange the Board activities and provide support and assistance to Board members. The Secretary can be a member of the Board or of Company's staff. The Secretary of the Board shall have adequate experience and knowledge of the Company's business and activities, possess strong communication skills, and be well-informed of applicable laws and regulations and best practices in corporate governance.

The Secretary of the Board shall conduct his/her responsibilities as directed by the Chairman of the Board. The Secretary of the Board has the following functions:

- a) serve as an adviser to the directors on their responsibilities and obligations;
- b) ensuring the availability of appropriate means of communication for the exchange and recording of information between the Board and its committees and between members of senior management and non-executive board members;
- c) keep the minutes of meetings of the shareholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman other members of the Board as appropriate;
- d) keep in safe custody the seal of the company and affix it to any instrument requiring the same;
- e) have charge of the shares certificate book and such other books and papers as the Board may direct;
- f) attend to the giving and serving of notices of Board and shareholder meetings;
- g) be fully informed and be part of the scheduling process of other activities of the Board;
- h) prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;
- i) oversee the adequate flow of information to the Board prior to meetings;
- j) ensure fulfillment of disclosure requirements to MOC, SAMA, CMA, CCHI, Stock Exchange and other regulatory agencies.
- k) The Board Secretary shall have such other responsibilities as the Board of Directors may impose upon him.


The compensation of the secretary for performing this role shall be determined by the Board.

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6. BOARD COMMITTEES

The Board of Directors may create such committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the company and to aid in good governance. The by-laws, general procedures, functions, scope of work and powers and duties of all committees of the Board approved by the Board are presented below. The committee durations are generally correspond to the duration of the Board term unless otherwise specified. The Board monitors the activities of the committees by period and on demand report. The committees shall be able to seek external professional advice, when necessary, to perform its role, at the Company's expense, after obtaining the Board's approval.

Board committees shall operate in a manner similar to that of the Board. In particular, provisions relating to notice of meeting, right to information, right to vote, independence, confidentiality and minutes shall also apply to Board committees as they apply to the Board.

The Board shall carefully review the meeting minutes and recommendation of its committees. As a minimum, the Board shall be supported by the following committees;

6.1. EXECUTIVE COMMITTEE


- a) The Board shall appoint from its members an Executive Committee composed of five (5) members with one non Board member to enhance the effectiveness of Board of Directors.. Members of the Executive Committee will appoint a Chairman among their members. The executive committee reports to the Board. The executive committee meetings shall be held on a regular basis and as needed, such that the committee meets at least six (6) times every year.
- b) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the company's articles of association, except with respect to approval of any action for which shareholders' approval is also required;
 - The filing of vacancies on the Board or in the Executive Committee which the law require shareholder approval;
 - the amendment or repeal of articles of association;
 - the amendment or repeal of any resolution of the Board which by its express terms is not so amendable;
 - the distribution of cash dividends;
 - the exercise of powers delegated by the Board exclusively to the other committees.

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- c) A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided however that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors, provided that no rights or acts of third parties shall be affected by any such revision or alteration.
- d) The following are the key functions of the executive committee:
1. To assist the Board in formulating and developing the company's strategic plan, budgets and strategies.
 2. To assist the Board in the preparation of the company's:
 - General policy for the market
 - Plan for the human resources and administrative development and
 - Operating and capital budgets.
 3. To assist the Board in monitoring the effectiveness of the company's governance practices and making changes as needed.
 4. Regularly review:
 - the implementation of the company's strategy and operational performance
 - the performance of its executive management,
 - compliance with company policies and procedures and regulatory requirements; and
 - the level of risk
 5. Ensure that there is a clear framework of delegated authorities and a clear demarcation of duties between the Board, the Executive Committee, Nomination and Remuneration Committee, Audit Committee, Chief Executive Officer and Chief Operations Officer and other members of senior management.
 6. Overseeing the process of disclosure and communications.
 7. Any other function that may be required by the Board of Directors.

6.2. NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee is composed of three (3) members, who are all non executive directors and two of them must be independent directors. The Chairman of the Board cannot chair this committee. The nomination and remuneration committee reports to the Board. The nomination and remuneration committee meetings shall be held on a regular basis and as needed, such that the committee meets at least twice every year. It has the following duties and responsibilities:

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- a) Making recommendations to the Board on the nomination of Board members and Board committee members in accordance with regulatory requirements;
- b) Reviewing the requirement of suitable skills for membership of the Board and its committees on an annual basis and preparing descriptions of the required capabilities and qualifications for such memberships, including the time that a member should reserve for the activities of the Board and/or Board committees;
- c) Regularly evaluating the structure and composition of the Board and its committees and determining their points of weakness and recommending remedies
- d) Assessing and monitoring the independence of Board and Board Committee members and ensuring the absence of any conflict of interest including ensuring the independence of the independent members, at least on an annual basis;
- e) Establish a formal and transparent procedure for developing a policy on compensation of members of Board, the Board Committees members and senior management ensuring that compensation is consistent with the company's culture, strategy and control environment and compliance with statutory requirements and the company's articles of association;
- f) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors who are needed to run the company successfully;
- g) Provide in the company's annual reports and information statements a clear, concise and understandable disclosure of compensation of its directors for the previous fiscal year and the ensuing year;
- h) Evaluating the performance of the Board and Board committee members on a regular basis;
- i) Making recommendations to the Board with regards to selecting and dismissing members of Senior Management;
- j) Establishing a succession policy and procedures for the CEO and other key members of Senior Management and monitoring the implementation of the succession plans and process
- k) Reviewing and supervising the compensation plans for members of Senior Management
- l) Making recommendations to the Board on various issues related to nomination and remuneration

6.3. AUDIT COMMITTEE

The Audit Committee shall consist of at least three members and at most five members, the majority of which shall be from outside the Board/independent and shall not include Company's executives, employees, consultants, Board members, representatives of any parties connected to the company including but not limited to; Major shareholders, founders, external auditors, suppliers, company's customers, legal persons who have first degree relationships with the Company's Board of Directors or executives or have any financial or business relationship therewith. Audit Committee members shall be adequately qualified to discharge their responsibilities. At least two Audit Committee members including the Committee Chairman should have recent and relevant accounting or financial management expertise or experience. The Board of Directors after obtaining written no-objection from SAMA shall appoint one of the Audit Committee members as a Chairman thereof. Chairman of the Board shall not be a member or Chairman of Audit Committee. The Audit Committee shall appoint a Committee Secretary from the Company's staff to handle its administrative tasks, prepare meeting

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minutes and ensure that its Chairman signs these minutes, and schedule the Audit Committee's meetings in coordination with its Chairman. Minutes of meetings shall be maintained in special register by the Secretary.

The Audit Committee shall meet at least six times a year including an annual meeting with the Board of Directors. Any Audit Committee meeting shall not be held without the presence of at least half of its members. Any additional meeting can be held if the need arises. The Audit Committee is entitled to invite, if the need arises, whomever it deems relevant from inside or outside the Company to attend its meetings. The Audit Committee's decisions shall be determined by the majority of the members' votes. In case of equal votes, the Committee's Chairman shall have the casting vote, provided that the Audit Committee's Secretary shall record the views of all sides in the meeting minutes. Voting on the Audit Committee's decision on behalf of, or by proxy from, any other members is not allowed.


- a) The Audit Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the company. It shall have the following particular duties and responsibilities:
1. To supervise the company's internal audit department and compliance control departments to ensure their effectiveness in executing the activities and duties specified by the Board of Directors.
 2. Ensuring the independence of Compliance Control Department and internal audit department in performing their tasks, and ensuring that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
 3. To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
 4. Reviewing the audit plan of the external and internal auditors.
 5. Reviewing, approving and monitoring the implementation of the compliance plan
 6. To review the reports of internal audit and compliance departments and pursue the implementation of the corrective measures in respect of the comments included in them and submit the related recommendations to the Board.
 7. To recommend to the Board of Directors the appointment, dismissal and the remuneration of external auditors by ensuring that the nominated external auditors have necessary experience of auditing Insurance and/or Reinsurance Companies; upon any such recommendation, regard must be made to their independence from the company, the Board members and the senior management.
 8. To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
 9. To review together with the external auditor the audit plan and make any comments thereon.
 10. Coordination between external and internal auditors
 11. To review the external auditor's comments on the financial statements and follow up the actions taken about them.

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12. To review and discuss with external auditors and senior management the interim quarterly and audited annual financial statements before issuance and make recommendations to the Board of Directors based on external auditors report. .
13. To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.
14. Assessing the efficiency, effectiveness and objectivity of work performed by the external auditors, the internal audit department, compliance control department, internal auditor or the compliance officer.
15. Reviewing the comments of SAMA and other relevant supervisory and control entities related to any regulatory violation or corrective actions requested and making recommendations thereon for the Board.
16. Reviewing the internal and external auditors' assessment of internal control procedures, intra-group transactions, related parties transactions, actuary reports and making recommendations thereon for the Board.
17. Ensuring the Company's compliance with Actuary's proposals and recommendations, where these are mandatory and required by Regulations or SAMA's instructions.
18. Appointment or Dismissal of ;Head of Compliance Control Department, Head of Internal Audit Department, Compliance Officer or Internal Audit Officer after obtaining SAMA's written no-objection.
19. Determining the monthly salary, bonus and other remuneration of the internal audit department, compliance control department, internal auditor or the compliance officer in accordance with the Company's internal by-laws approved by the Board.
20. Ensuring the Company has a written code of conduct duly approved by its Board of Directors to ensure that the company's activities are conducted in a fair and ethical manner.
21. Ensuring the optimal use and controls of information technology necessary to generate accurate and reliable information.
22. The Audit Committee members are accountable to SAMA, the company's shareholders and the Board for implementing the provisions of regulations issued by SAMA, CCHI and other regulatory authorities and executing the Audit Committee's action plan issued by a Board's decision.
23. To recommend to the Board of Directors effective policies and processes to address Board members' potential conflicts of interest, including matters such as:
 - related party transactions;
 - the misuse of assets belonging to the Company; and
 - the use of privileged information for personal advantage

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6.4. RISK COMMITTEE

The Board shall form a risk management committee and appoint its members in accordance with the rules issued by the general assembly. The risk management committee shall be composed of at least (3) members headed by a non-executive member, its members have with an appropriate financial and risk management knowledge. The risk management committee reports to the Board.

It shall have the following roles and responsibilities:

- a) Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company;
- b) Overseeing the risk management system and assessing its effectiveness;
- c) Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company;
- d) Reviewing risk management policies;
- e) Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g., through stress testing exercises);
- f) Reporting to the Board details of risk exposures and recommending actions to manage them;
- g) Advising the Board on issues related to risk management.


6.5. INVESTMENT COMMITTEE

The Board shall form an investment committee and appoint its members in accordance with the rules issued by the general assembly. The investment committee shall be composed of at least (3) members. The investment committee reports to the Board.

The roles and responsibilities of Investment Committee is as follows:

- a. To establish investment policy for the company and would make sure that it is implemented through quarterly reviews;
- b. To establish the policy and procedures to manage the investment of the company to maximize the return taking in to consideration Solvency and Liquidity requirements of the company;
- c. To advise the BOD on various investment options;
- d. To monitor the performance of the company's investments (overall and by class of assets)
- e. To submit its recommendations to the BOD regarding the financial institutions where the company wanted to invest their money taking into consideration the solvency and liquidity of the company;
- f. To Monitor the overall risk of investment policy;
- g. To submit a performance review report of investments to the BOD;
- h. to ensure that company is in compliance with SAMA's regulation in particular with Investment Regulations Issued by SAMA

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7. INTERNAL CONTROL FUNCTIONS

The Board shall establish efficient and effective internal control function grant them the appropriate level of authority and full access to all the information it needs to conduct their activities. In addition, the Board should take all necessary measures to ensure the responsiveness of Senior Management to internal control functions' queries and recommendations.

7.1. INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It provides the Board, Management and the stockholders with reasonable assurance that the company's key organizational and procedural controls are effective, appropriate, and complied with. It reviews, audit and report on, among others;

- the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture;
- the volume, size and complexity of transactions;
- the degree of risk;
- the degree of centralization and delegation of authority;
- the extent and effectiveness of information technology; and
- the extent of regulatory compliance. It performs its auditing functions faithfully by maintaining independence from the management and controlling shareholders.
- Internal Audit reports to the Audit Committee of the Board of Directors.

The Internal Audit shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing. Otherwise, the Head of Internal Audit shall disclose to the Board and Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

The Board shall ensure that the internal audit function is autonomous and is granted full access to all the information it needs to conduct its activities. In addition, the Board should take all necessary measures to ensure the responsiveness of Senior Management to internal auditors' queries and recommendations.

7.2. RISK MANAGEMENT


The risk management function is in charge of identifying, assessing, quantifying, controlling, mitigating, and monitoring the Company's risks, on a continuous basis and at an individual and aggregate level. The risk management function shall conduct its activities in accordance with the risk management regulation and any other regulatory or supervisory requirements issued by SAMA. The risk management function must be independent from the underwriting function and reports to Board Risk Committee.

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The number, knowledge, and experience of employees within the risk management function shall be commensurate with the nature, scale and complexity of the Company's business.

Notwithstanding, the Company shall at least have two (2) risk management officers: one for general and health insurance and one for protection and saving insurance. Companies that write only general and health insurance, or only protection and saving insurance can have one risk management officer.

- a) Implementing the risk management strategy
- b) Monitoring the Company's risk profile
- c) Developing effective risk management policies and procedures to identify, assess, quantify, control, mitigate, and monitor risks
- d) Regularly evaluating the Company's tolerance for, and exposure to, risks (e.g., through stress testing exercises)
- e) Establishing a contingency plan
- f) Coordinating with Senior Management to ensure the effectiveness and efficiency of the risk management system


7.3. COMPLIANCE

The compliance function is responsible for monitoring the Company's compliance, at all times, with all applicable laws, regulations, and rules issued by SAMA and other related regulatory bodies, and to take necessary actions to enhance the regulatory compliance.

Roles and responsibilities and structure of the compliance function is as follows:


- a) The Compliance function should assist senior management in achieving effective management of compliance risk faced by company. The Compliance Officer should oversee implementation of compliance functions carried out in his department or any department of company.
- b) The Compliance function should organize all its activities in such a way that even when it is handled by other department it should come to his knowledge.
- c) The Compliance function should advise senior management on all crucial compliance rules and regulations, standards including latest development in KSA and abroad. It should provide advices on daily operations related to compliance when required.
- d) Creating compliance guiding, educating and training the concerned staff on an ongoing basis, the new employees should properly guided on areas like AML-CTF measures such as due diligence and reporting of suspicious transactions, marketing new products, etc.
- e) The Compliance function should pro-actively identify compliance risk (systematic, reputation, strategy, etc) associated with the activities in the company including in case of the new products, business or relationship.
- f) Compliance risk should be measured in qualitative and quantitative terms by employing suitable assessment methods.
- g) Assessment of compliance risks should include understanding business, operating processes and products of the company.

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- h) The Compliance function should constantly monitor compliance issues by submitting reports to senior management and Audit Committee.
- i) Compliance Officer should prepare a detailed action plan which includes identification, measurement and monitoring of compliance risk the company and get the same approved from Audit Committee and it shall include review of company's policies and procedures.
- j) Submission of periodical reports on quarterly basis to the Audit Committee covering any changes in regulatory laws, rules, regulations, instructions, guidelines, including its findings in monitoring of compliance risk.
- k) Annual report covering entire gamut of compliance in the company shall be submitted to Audit Committee. This report shall assess the level of compliance, violations, shortcomings, penalties (financial and non-financial), training programmes for staff and their response.
- l) Compliance function should collect regulatory standards by supervisory bodies in KSA.
- m) Responsibility with regarding to company's compliance with AML-CTF and Know your customer rule lies with Compliance function. In addition, it shall be responsible for reporting suspicious transactions.

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8. APPOINTED ACTUARY


The Company shall appoint an Actuary that holds the designation of a Fellow, or seek the services of an actuary or an actuarial firm after obtaining a written permission from the Agency. The Company's Actuary shall undertake the following roles and responsibilities:

- a. Obtain all required information and particulars from the previous Actuary;
- b. Examine the Company's overall financial position;
- c. Assess the Company's capital adequacy;
- d. Evaluate the Company's ability to meet its future obligations;
- e. Determine adequate risk retention level;
- f. Price the Company's insurance product like Health, and Motor Insurance products; and provide recommendations on the Company's premium rates adequacy for other General Classes of Business;
- g. Determine and approve the Company's technical provisions;
- h. Provide advice and recommendations to the Board of Directors related to the Company's investment policy keeping in view the nature and timing of policyholders' liabilities and the availability of appropriate assets;
- i. Coordinate with the Company's risk management officers on estimating the impact of material risks and identifying appropriate mitigation techniques for those risks;
- j. Assess the adequacy of reinsurance arrangements and the appropriate risk retention levels and provide a recommendation of the optimal retention level;
- k. Determine the surplus or deficit for the overall Company;
- l. Prepare the appropriate reports in accordance with the financial reporting forms required by SAMA
- m. Review the underwriting manuals of the Company;
- n. Any other actuarial recommendations.

The Actuary shall be professionally liable for his/her advice and technical services provided to the Company, and shall discharge his responsibility by through furnishing the Company's management/Board/SAMA with various reports covering the following aspects:

1. Sound actuarial information and statements about the company's present and future financial position.
2. Annual report, within sixty days from the expiry date of the company's fiscal year reflecting:
 - a) the adequacy of the Company's technical provisions.
 - b) the pricing adequacy of the insurance products.
 - c) Company's investment returns analysis.
 - d) Insurance portfolio development analysis.
 - e) Cost Analysis
 - f) Report reflecting the adequacy of matching assets with liabilities.
 - g) Positive and adverse underwriting policy development status.

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3. Data and backtesting report using the data upto 9 months ended September 30 of relevant financial year.
4. A mid year review report as required in Actuarial Work Regulation issued by SAMA.
5. Motor and Medical pricing report in compliance of related instruction/circulars and directive issued by SAMA.

An external auditor shall review actuarial reports that present immediate or future risks facing the Company, and the Agency shall be provided with copies of these reports in a timely manner.

The Company's Actuary shall submit a report on an urgent basis directly to the company's Board of Directors in following circumstances:

- the presence of immediate or future risks facing the Company; or
- the company evidently in breach of regulations issued by SAMA; or
- the company does not allow the Appointed Actuary to perform the duties and responsibilities assigned to them under the law.


The Board of Directors shall examine the report and recommend corrective actions, and forward all related information to the Agency within fifteen days from receiving such a report.

The role of the Appointed Actuary at the Company shall end in any of the following cases:

1. Resignation or dismissal of the Appointed Actuary. In case of a dismissal SAMA shall be notified of the reason(s) for the dismissal.
2. On expiration of contract.
3. Cancellation of the contract during the term of the contract either by the Company or the Appointed Actuary. SAMA needs to be informed of the cancellation and the reason(s) that triggered it.
4. SAMA notifies the Company to replace the Appointed Actuary if he or she is found to be unfit to undertake his or her responsibilities.

The Company shall notify SAMA of the termination of the Appointed Actuary within (5) working days, and shall appoint or hire another Actuary within a period not exceeding sixty (60) calendar days from the date of termination of function of the previous Appointed Actuary.

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9. SENIOR MANAGEMENT

Management is primarily accountable to the Board for the operations of the Company and responsible for supervising the day-to-day activities of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Company in a timely manner and present an comprehensive overview of its performance in every BOD meeting at least. As a policy matter, priority shall be given to Saudis for senior management positions. Before appointing non-Saudis in senior positions, the Company shall prove the lack of available qualified Saudi personnel for the required position and follow the process required to follow in the relevant regulations.

Members of the Senior Management must possess the skills, knowledge, and experience needed for effective and prudent management of the Company. Proof of the qualifications of senior managers shall be provided to SAMA upon request. In addition any other regulatory or supervisory requirements, the duties of the Senior Management shall include:


- a) Implementing the strategic plans of the Company;
- b) Managing the day-to-day activities;
- c) Setting procedures for identifying, measuring, mitigating and monitoring risks;
- d) Setting policies, procedures, and controls to ensure the adequacy and effectiveness of the internal control system;
- e) Record keeping and audit trails;
- f) Acting on the Board's instructions and reporting to the Board;
- g) Ensuring that regulatory and supervisory requirements are met to the highest extent possible.

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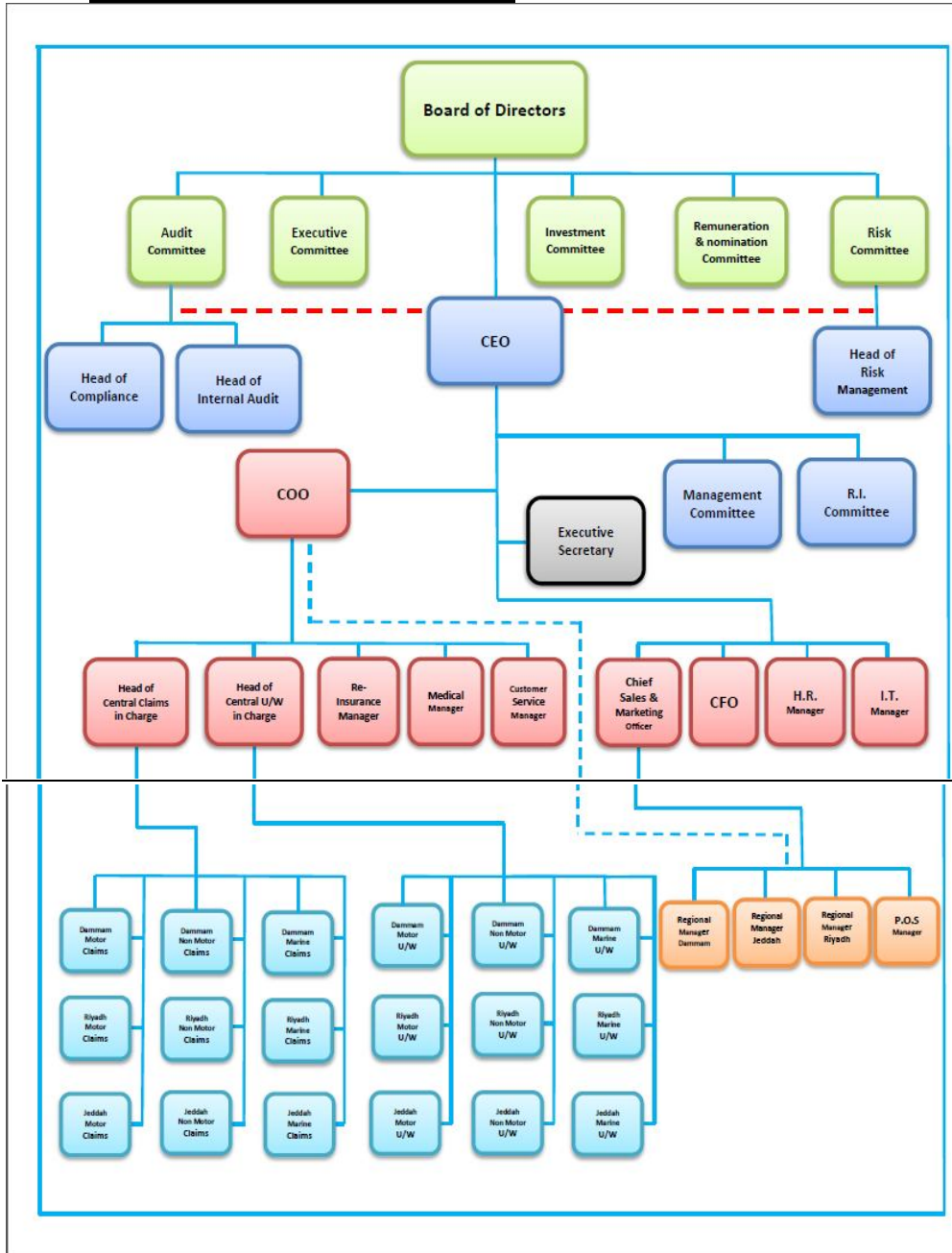
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9.1. ORGANIZATIONAL STRUCTURE



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9.2. CHIEF EXECUTIVE OFFICER

- The Chief Executive Officer (CEO) is responsible to the Board for the overall management and performance of the company.
- CEO manages the entity in accordance with the strategy, plans and policies as approved by the Board.
- CEO is responsible for:
 - Delivering on the entity's strategic and operational plans as approved by the Board.
 - Referring transactions outside of his/her delegated authority to the Board.
 - Ensuring that all actions comply with the entity's policies and with the law.
 - All the actions delegated to CEO.

9.3. CHIEF OPERATING OFFICER

- The COO is Person who is responsible for the general control of the daily operations of the company and is directly responsible to the Chief Executive officer.
- The COO is to assist the Chief Executive Officer in the implementation of the corporate strategy, major plans of action, annual budgets, and business plans of the company.
- The COO is to follow all instructions regarding the company's technical, financial and administrative policies and procedures.
- In the absence of the Chief Executive Officer, the COO reports directly to the Chairman of the Board.


9.4. CHIEF FINANCIAL OFFICER

- The Chief Financial Officer (CFO) is responsible for the effective budgeting, recording and reporting of the financial results and operations of the Company.
- CFO is responsible for:
 - Formulation of the annual financial budget for the Company.
 - Controlling the Accounting, Treasury, Accounts Receivable and Payable, and Taxation activities of the Company.
 - Enforcement of the Delegations of Authority.

9.5. DEPUTY GENERAL MANAGER RE-INSURANCE

- Protect the Company from catastrophe losses, which could ruin him.
- Permit the acceptance of risks larger than those which Company could accept on its own account (without reinsurance, company would have to gauge his acceptance based on its own capital and reserves: with reinsurance company risks a lesser part of its own capital and reserves by adding the capacity of all his reinsurers.

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- Permit the company to accept a larger flow of business, because company knows its gross capacity and does not need to seek reinsurance support for each risk offered to company.
- Allow a greater spread of risk generally, so minimizing the effect of any one loss.
- Stabilize underwriting results for the company, because a loss is spread over all reinsurers instead of falling entirely on the company capital and reserves.
- The experienced reinsurer can provide valuable technical services to the company, such as advice on risk assessment and risk management, premium rating, claims handling and loss reserve estimation.- The day to day running of the Reinsurance Department.
- To be familiar with all the terms and limits of the Company's reinsurance treaties and to ensure that these terms are always complied with.

9.6. HEAD OF CENTRAL UNDERWRITING NON-MEDICAL

- To assist and support the General Manager in analysing and implementing of the agreed strategic plan, to advance the company's mission and objectives and to promote revenue, profitability and growth
- To manage and carry out and Administrative duties of the insurance underwriting operations under his responsibility as per the Organizational Chart.
- To follow up the implementation of the Board of Directors resolutions of the Company, as directed, in respect of his assigned duties.
- To achieve production and objectives in the Company's operational plans and policies.
- To contribute in the overall management and strategic direction of the insurance business.
- To review and approve quotations received from the branches for new as well as renewal business, through the concerned Central Managers (Motor or Non Motor), with the intention of confirming full compliance with the Company's policies, procedures and strategies.


9.7. HEAD OF CENTRAL CLAIMS NON-MEDICAL

- To supervise the investigation, analysis and processing of Non-Medical-policies' related claims in compliance with established policies and procedures. Analyse and Review and implement a strategic plan for the advancement of the task of Non-Medical underwriting, and enhance revenues, profitability and growth as an organization.
- To ensure maintenance of high customer satisfaction levels by prompt processing of claims und effective speedy correspondence with automotive repair workshops, brokers, surveyor or claimants

9.8. MEDICAL MANAGER

- To plan, direct and manage underwriting activities relating to Medical class of insurance business of GU to ensure controlled risks against losses and compliance with established internal policies and procedures as well as regulatory guidelines.

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9.9. CHIEF SALES AND MARKETING

- Manages and directs the activities of the Sales & Marketing department including Sales & Marketing strategy and Interior image of the company and external image of the company, In order to implement and achieve the marketing objectives of the company and other targets.
- To strategize, direct and monitor all marketing and sales functional activities including those pertaining to market research on insurance business trends, campaign promotional initiatives for achieve market penetration and building.

9.10. INFORMATION TECHNOLOGY (IT) MANAGER


The position is responsible for managing all organization technologies and providing technology support and training. Primary duties include analysing Systems and processes, maintaining workstations and networks; and designing, developing and maintaining business applications. The (Information Technology Manager) may have to manage a number of projects at one time, and may be interrupted frequently to meet the needs and requests of clients. The (Information Technology Manager) may find the environment to be busy, noisy and will need excellent organizational and time and stress management skills to complete the required tasks Rules the Information Security Department Manager, in developing, administering systems and information ownership; information and data classification guidelines, standards and procedures. Develop, establish and maintain standards, procedures a guidelines to promote security and uninterrupted of computer – based application systems at Gulf Union Identify and address exposures to accidental or intentional destruction, disclosure, modification, or interruption of information that may cause serious financial and / or information loss to Gulf Union. Be responsible for the protection of the company assets and information, which processed by or stored in Gulf Union's computerized information systems.

9.11. HUMAN RESOURCE MANAGER

- Manages and directs the activities of the Human Resources department including manpower planning, compensation and benefits, salary administration, training, recruitment, personnel administration and labor relations.

9.12. REGIONAL MANAGER – DAMMAM / RIYADH / JEDDAH


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SUBSECTION	10 - EXTERNAL AUDIT	REPLACES	2008

10. EXTERNAL AUDIT

- The Board, through the Audit Committee, shall recommend to the shareholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.
- The External Auditor shall –
 - a) perform fair audits independently from the Company, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Company's accounting information;
 - b) check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - c) attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
 - d) perform such other functions as may be approved by the Board in its engagement of the auditor, *provided, however*, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
- The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.
- If an external auditor believes that the statements made in an annual report, filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

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SUBSECTION	11- DISCLOSURE AND TRANSPARENCY	REPLACES	2008

11. DISCLOSURE AND TRANSPARENCY

11.1. GENERAL


- The Company has adopted a continuous disclosure regime as part of its Corporate Governance Policy.
- The Company is committed to timely and accurate disclosure of all material issues affecting it, including:
 - Financial and operating results
 - Objectives of the Company
 - Major share ownership and voting rights
 - Details of directors, key executives and their remuneration
 - Material foreseeable risks
 - Material issues regarding employees, stakeholders, etc
 - Governance policies
- The annual financial statements are to be audited by an independent auditor.
- Information being disseminated to stakeholders and others, is to provide for adequate time to reach and be reasonably accessible by intended recipients.
- The Company shall make available to its shareholders, and on the internet, its code of corporate governance and annual reports.
- The Company shall not announce any anticipated actions that require SAMA's prior approval or non-objection, before obtaining the actual approval or non-objection, taking in consideration all related laws and regulations.

11.2. DISCLOSURE IN THE BOARD OF DIRECTORS REPORT

In addition to the general requirement in the Listing Rules in connection with the content of the report of the Board of Directors on annual financial statements of the company, the following should be disclosed following:

- Names of all Significant Shareholders and their ownership in the Company
- Names of any joint stock company or companies in which the company Board of Directors member acts as a member of its Board of directors;
- Formation of the Board of Directors and classification of its members as Executive board member, Non-executive board member, or Independent board member, represented entity (if applicable), other positions held within the company (if applicable) Name of the chairman, voice-chairman, dates of current term start and end;
- Number of Board meetings held during the period, date and attendance of each meeting and details of remuneration for each of the Board members;
- A brief description of the jurisdictions and duties of the Board's main committees such as

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Executive Committee, Audit Committee, Nomination and Remuneration Committee, Investment Committee and Risk Management Committee indicating their names, names of their chairmen, names of their members (with their status such Executive Board Member, Non-executive Board Member, Non-independent Board Member, Non-executive Independent Board Member, or Non-board Member), , no. of meetings held during the period, date and attendance of each meeting, members remuneration for serving the committee.


- Ownership in the Company (direct and indirect) by Board members and members of Senior Management, and any changes of their ownership over the last year as listed in the approved shareholders' register.
- Analytical review of the Company's financial performance during the last period;
- Key decisions made and their impact on the Company's performance and position;
- Assessment of the Company's strategy and financial position;
- Details of compensation and remuneration paid to each of the following:
 - The Chairman and members of the Board of Directors;
 - The Top Five executives who have received the highest compensation and remuneration from the company (divided into salaries, allowances, bonuses, and any other components). The GM and the CFO should be included if they are not within the top five. Any performance linked incentive available for Senior Management shall also be described separately;
- Any punishment or penalty or preventive restriction imposed on the company or any of the Board member by the Authority or any other supervisory or regulatory or judiciary body regarding the non-compliances; Results of the annual audit and the effectiveness of the internal control procedures of the company;
- Descriptions of transactions with any related-parties, including Significant Shareholders and members of the Board and Senior Management, that took place during the period, and how such transactions are or were approved;
- Any potential cases of conflict of interest and how they were addressed;
- Assessment of potential risks and how such risks are being managed;
- Projections of future performance of the Company;
- Profiles of members of senior management (including name, position, qualifications, and experience of each senior manager);
- Statement on the Company's compliance with the requirements of this Regulation and with the Company's code of corporate governance, along with the justification for any instances of non-compliance.

11.3. CONTINUOUS DISCLOSURE POLICY

- The Company and its directors have adopted a Disclosure Policy for material events relating to the Company's financial situation and performance, risk exposures and risk management and corporate governance and the release of other price sensitive information to the market, shareholders and stakeholders.


NEW - ☒	ADDITION * - ☐	CHANGE ** - ☐	COMPLETE REVISION - ☐
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Gulf Union Cooperative Insurance Company

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SUBSECTION	11- DISCLOSURE AND TRANSPARENCY	REPLACES	2008

- The company shall ensure that the disclosed information is comprehensive, meaningful, relevant, timely, consistent, reliable and accessible by public without undue expense or delay.
- Directors are to monitor compliance with the Disclosure Policy and to take remedial action where necessary.
- The Company's Disclosure Policy is to be readily available to stakeholders and disclosed in the Company's annual report to shareholders.


NEW - **ADDITION * -** **CHANGE ** -** **COMPLETE REVISION -**

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SUBSECTION	12- REVIEW AND AMENDMENT OF MANUAL	REPLACES	2008

12. REVIEW AND AMENDMENT OF MANUAL

- The provisions of this Manual and the enforcement thereof must be reviewed yearly by the Board. As a result of review, if any changes are necessary, it should be recommended to General Assembly for approval. The approved changes should be submitted to SAMA with 21 working days.
- All business processes and practices being performed within any department or business unit of the company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
- This Manual is subject to review and amendment to take into account the company's changing needs, factual conditions prevailing in the environment and regulatory requirements.

NEW - **ADDITION * -** **CHANGE ** -** **COMPLETE REVISION -**

	POLICIES MANUAL	REF. NO.	PM CGM
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SECTION	CORPORATE GOVERNANCE MANUAL	DATE ISSUED	2016
SUBSECTION	13- ADOPTION AND EFFECTIVITY	REPLACES	2008

13. ADOPTION AND EFFECTIVITY

This Manual was approved by the Board of Directors of the Gulf Union Cooperative Insurance Company on 19/04/2016. This Manual shall be presented to General Assembly for approval and would be effective upon such approval. The approved changes should be submitted to SAMA with 21 working days.

NEW - <input checked="" type="checkbox"/>	ADDITION * - <input type="checkbox"/>	CHANGE ** - <input type="checkbox"/>	COMPLETE REVISION - <input type="checkbox"/>
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